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POLITICAL SCIENCE QUARTERLY

IS AMERICA THE NEW HOLY ALLIANCE?

THE question of America's relation to the post-war world has been artifically restricted and therefore distorted.* It has been discussed only in its political aspects, and that is not enough. It may even be only the lesser part. Whether there is any basis for a world order, for peace as the normal state between nations, is not just a matter of having an international organization or regional organization or no organization at all. It is not just a matter of political arrangements; and America's relation to the post-war world is not just a matter of joining an international organization or not, forming alliances or not, remaining in isolation or not. It is not just a matter of what our political relation to the rest of the world shall be. The problem of peace is economic as much as political, perhaps more. There can be devised and universally accepted a truly perfect international system, and the world can still erupt, first in civil wars and then in international wars, unless there is economic stability, unless the problem of economic security, for nations as well as individuals, is faced and settled. America can incorporate itself unreservedly in such an international organization and still be "isolated" unless it is in harmony with the rest of the world economically, not only in its dealings with the rest of the world but in the spirit of its own economic organization.

The circumstances of the second World War have been so melodramatic, so overwhelming, as to stun memory. The meteoric rise of the Nazis and, more especially, their sadistic barbarities have made us forget the development of events between the

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two wars. We have forgotten that Europe was in an unhealthy state before 1939, even before the advent of the Nazis in 1933. It may be said that the Nazis, while complicating the disorder, were also a symptom of it. Indeed, a good argument can be made for the proposition that, had there not been several hundred thousand young men in Germany, chronically unemployed and without hope of employment, Hitler would still have been a crank ranting in some Bavarian beer hall, one of the many who infest any country in troubled times.

The times made fascism everywhere in Europe. Fascism was economic as well as political, certainly more economic than ideological. The varying degrees of autarchy which one country after another adopted for itself were less a reflection of a philosophy than a condition of survival. There was little real choice. Tariff barriers had to be thrown up in defense, foreign trade had to be controlled and restricted, currency had to be "managed", that is, used as a weapon in foreign trade. The alternative was disaster: more unemployment, more expenditure for doles, decreasing government revenues, larger treasury deficits, accelerating inflation and steady decline to the kind of collapse of the currency and complete paralysis that struck Germany in 1923. It is superficial to blame economic nationalism for the general world stagnation before 1939. Economic nationalism was effect as much as cause.

As for the mass of the people, they were predisposed in favor of anything different from what existed. In something else, anything else, there might be some hope; in what existed they could see no hope at all. To the class-conscious and organized workers of the continent the promise of the Russian Revolution exercised a growing appeal, and as that appeal grew with the worsening of conditions, in equal measure fascism gained the support not only of the richer owning class but of the middle classes. To the upper middle class in particular, to a large proportion of which fascism may have been repugnant, the prospect of being proletarianized and, still more, of being dominated over by the proletariat was even more repugnant. For them, too, the only certainty was that what existed was unendurable, and that it were better to fly to ills they knew not of than to continue to

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try to bear the ills they had and found unbearable. Nothing could be worse than what was, and as between communism and fascism, though both might be offensive, fascism was less offensive. When the test became inescapable, they chose fascism as the lesser of two evils. In one degree or another, "rather Hitler than Blum" became the rule of thought and action for the middle classes throughout Europe.

The peace established in 1919 proved untenable not only because of the political provisions of the treaties then drawn up, but because no account was taken of Europe's most important problem, which was that of assuring security of livelihood for its people. No provision was made for the economic ravages of war, for the economic dislocations produced by the setting up of new states or—most important, probably—for the difficulties inherent in an economic system of mass production under great concentrations of capital, the difficulties inherent in modern capitalism. Nor were the economic causes of war dealt with or even taken cognizance of: national rivalries for markets, for raw materials and for territories that yield both. The Versailles treaty system dealt only with the things in modern Europe that mattered least and dealt with them badly. What mattered most was ignored, and the decline of Europe, of the whole western world, began. The incipient struggle between Red and White, in which the opening campaign was to go to the Fascists, was one result. The second World War was another.

Can anyone seriously believe that there will be any different result after the present war if again we fail to grapple with the fundamental economic problem in modern society? Is it reasonable to expect that after what the European peoples have suffered in the terrible years since 1939 they will supinely return to the creeping paralysis that bound them in the years before then—to unemployment, meager doles, hopelessness and the ever-present sense of being trapped, with doom visibly and inexorably creeping down on them? It is not necessary to speculate. Enough is known of the popular feeling in the liberated countries to know that the mood of the people is not submissive and that they will ask more of the future than has been their portion in the past. Naturally, the spectacular success

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of Russian arms and the proportional enhancement of Russian prestige will not serve to soften the economic issue. The fact that most of the régimes in Europe overthrown in the course of the war ranged from simple obscurantism through reaction to a callous feudalism will make the contrast with Russia more glaring as well as the example of the Russian Revolution more alluring, which will still further aggravate the issue. Whether it follows in pure logic or not, Russia's military success will seem to have proved that a social revolution for the purpose of making the people's lot better can make a country even stronger than it was before, certainly that it can hold the loyalty of a people in a struggle against apparently hopeless odds. Furthermore, if Europe could not sustain itself after the first World War, when there was relatively little destruction and the costs of the war could be met out of the accumulated reserves of a century of fabulous production of wealth, can it be expected to stand after a war which it entered impoverished and which has left most of the continent in ruins—if, that is, it attempts to resume on the same basis as before? Nowhere is there any belief that it can, nowhere is there any expectation or belief that we can or should try to return to the economic and social status quo ante 1939—nowhere except in America. And this last qualification is one of the danger points in the post-war world, perhaps the crux of America's relation to the post-war world.

Europe—and Asia as well—will not return to the pre-1939 world, to what we here call free enterprise. America doubtless will, or will at least try to. That itself need not raise insuperable barriers, though in modern society a world divided against itself economically is no more likely to stand on a very solid foundation than a world politically divided against itself. Economically America is even more necessary to the world, more nearly inseparable from the rest of the world, than politically. But the divergence itself need not be fatal. What is crucial and can be dangerous is whether and how America will use its economic power to determine or influence the kind of economic organization Europe desires to choose for itself. That Europe is resolved on or resigned to—depending on the point of view of the class concerned—at least a certain measure of state inter-

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vention and control in hitherto private economic processes is self-evident. What matters is whether America will use its power to veto that and to impose on Europe the only kind of economic organization it deems normal and respectable—what is called free enterprise.

America can do so of course. It has the power, no doubt. It will be the only reservoir of surplus capital after the war. By giving or refusing credits it can exercise pressure on every country and beat all or nearly all other countries into conformity. At least, if it will not be able to decree what shall be done, it will be able to decree what shall not be done. We can issue injunctions and, as far as most countries are concerned, enforce them. We can refuse reconstruction loans to countries that nationalize banks or key industries, giving as our reason that they are bad risks, since they have taken measures that violate "the proved wisdom of experience" by hampering individual initiative and thus foredooming the country to insolvency. We need not even be so explicit and direct. We can accomplish the same purpose more subtly.

Suppose for example that after the present war some smaller country in Europe finds itself in the same position as Austria after 1919. In Austria there was instituted then a mildly socialistic régime, actually more reformist than socialist. There was harsh taxation of private property for social welfare; there was stringent regulation of working hours, with compulsory insurance for various contingencies; public housing became a quasi-public utility. While property was far from socialized, the hand of government was stretched over much that previously had lain within individual control. But whether capitalist, semi-socialist or socialist, Austria could not have survived without foreign financial help and in fact it did get such help through the League of Nations. In return the League exercised supervision over the country's governmental finances, a fact which, parenthetically, kept the country balanced between two systems, having all the disadvantages of both and the advantages of neither. That, in turn, contributed much to the country's final absorption by Nazism, the semi-fascism of Dollfuss and Schuschnigg being a transitional stage.

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Suppose there is a country in the same situation after the present war. Call it Country X. Suppose it nationalizes all basic industries, takes over credit as a state function and by taxation limits private incomes to the equivalent of, say $25,000 a year. It needs credit, of course, both to rebuild the country after the war's ravages, to renew industrial plant and to carry out the difficult institutional transitions. There are in the country, of course, small and formerly powerful groups that suffer by the new dispensation and naturally would like to overthrow it, though they lack the power to do so. Country X appeals to America for a loan. America is cool. It does not state the reason for its coolness, or give as conditions for the loan the repeal of the new social legislation. But the powerful minorities at home go about whispering: " Without loans we shall go down. The Americans will not give us any. They lack confidence in us because of our revolutionary measures. It cannot be helped. The Americans just are that way. We must yield to them or the currency will collapse, the government will collapse, we shall have chaos." In the last there is just enough truth to make the whispering both frightening and persuasive; and when the small influential groups in the country let it be known to the right people in America that firmness on America's part will bring about the mutually desired end, which is abandonment of " visionary experiments " and " negation of liberty ", those in America who have loans to make will continue to be firm. Country X will be forced to choose between the risk of catastrophe and capitulation. When it becomes known in the country that that is the choice, that the price of the new social measures will be starvation, public opinion will be overwhelming and the government will have to capitulate. Formally and officially, America will not have interfered in the country's internal affairs. It will not have dictated. But it will have imposed its own conception of social organization nonetheless. It will have vetoed social change, even though desired by the inhabitants of the country. That fact will not remain secret. It will become known throughout Europe; and it will have its effect, not only in Country X, not only on the relations between Country X and America, but between Europe and America.

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This is not fanciful or even hypothetical. There is already some evidence. There was something revealing in the combination of shock and dismay felt in certain circles in this country in 1940, and shortly after, at indications of what was in the minds of men in Great Britain for the future of that country—not Communists or left wing members of the Labor Party, but substantial men of birth and position and wealth. It seemed a kind of betrayal of the faith. There was the Beveridge plan. There were statements in the solid conservative London press, statements of the kind that in this country would be expected from professors, radical speechmakers and the like, the sort of people who say such things and whom one does not expect to take too seriously except for public debate. There was the memorable broadcast of Winston Churchill when he espoused such plans as guaranteed maintenance for all the British people, guaranteed medical attendance and education for everybody at state expense, housing as a public utility and other forms of expansion of state activity into the domain of private business.

This was apostasy, by England of all countries, and in this country there was profound disquiet. Joseph P. Kennedy, then American Ambassador to Great Britain, said flatly that democracy was finished in Great Britain, meaning, of course, that private business would no longer be immune to governmental interference. His words were darkly echoed, though mainly in hints. Was Lend-Lease to be given England to make itself a socialistic country? So more than one commentator, editor and lecturer asked, and still more thought. Again, socialism was defined as synonymous with social security and a check on private business. Since this was apostasy and heresy, there began in this country a kind of neo-missionary movement to the British Isles to redeem the British lost in darkness. A stream of American business men went to England. Most of them went on official or semi-official duties, but in the course of their visits wrestled with the British more in sorrow than in anger. In consequence, there developed in Great Britain a combination of impatience and irritation; and there were blunt statements, both public and private. Their general tenor was that America could stay at any point in time it wanted to, could confine itself to

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the nineteenth century if it would, but England was in the twentieth century, was prepared to face the fact and resolved to order its life accordingly. The moral preachments were returned, the text being the necessity for America to wake up to the time in which it was living. In any case, it was made clear, England was going to make an effort to solve its social and economic problems rationally and peaceably, and it did not mean to be retarded by American backwardness.

There will be enough economic strength left in Great Britain after the war to prevent America from laying down and enforcing interdicts, though America will doubtless be able to place obstacles in the way of social experimentation. At least it will be able to stiffen up the forces of obstruction in Great Britain itself, as in Country X, and thus make social experimentation more difficult. On the European continent west of Russia, however, America will without doubt be able to lay interdicts by threatening to withhold credits unless "unsound" measures are abandoned. We may then have one of the mordant ironies of history: America, twice in a generation breaking its tradition to enter European wars in order to preserve democracy and liberty, only to come out as the last stronghold of reaction in the modern world. Only a century and a half ago America was in the forefront of progress in social thought, a pioneer in political experiment, a beacon lighting a future of brighter promise to the Old World, indeed in the eyes of the European upper classes a subversive, almost a revolutionary, influence. Is it now, after what is historically only a twinkle in time, to be the symbol of obscurantism, of obstruction to social change, as far behind in social and economic thought as it was advanced in political thought? Is it to be the Holy Alliance of the twentieth century, a Holy Alliance in itself, seeking to preserve economic "legitimism" as the earlier one sought to preserve political "legitimism"? Will it meet the same degree of success and for the same reason—because, like its nineteenth-century precursor, it will be seeking to fly in the face of time?

In one respect only is the analogy not apt. While the nineteenth-century Holy Alliance sought to preserve something as indirect in its human impact as monarchy, if America adopts

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the same rôle it will be seeking to preserve something as pervasive and direct in its human impact as economic oligarchy and oligarchical economic privilege. Therefore it will generate a more direct and impassioned hostility. It will touch men's livelihood, not the form of government under which they live. In any event America will be fabulously rich after the war compared to the rest of the world, and that situation is one which breeds rancor at the best. In a milder form it could be seen after the first World War. The disparity in wealth will be incomparably greater after the present war; and if the contrast is accentuated by America's attempt to domineer, to impose reaction or at least to enjoin the impoverished from seeking to improve their lot by the social measures that they deem effectual, then what can be expected? Not rancor only, but Russia.

Why not? If the people of the various Countries X in Europe are forced to choose between America, seeking to constrain them to the kind of life they had already found unbearable before the war, and Russia, offering at least to the mass of the populace the promise of a better life, what can they be expected to choose? The indications are already plain, as has been said. Russia is already exercising a powerful attraction on the mass of the European people, less in western Europe than in eastern Europe, no doubt, but powerful enough even there. The attraction is being felt in France, in Italy, in Belgium, probably also in Holland. As in the period between the wars it may be a negative force—less attraction toward something than repulsion from something else, less toward Russian communism than away from what existed between the two wars. But in proportion as the negative is strengthened, so will the positive be strengthened, or, in other words, the greater the repulsion from the past, the stronger the positive attraction of Russia and communism. If America, or any other country or any faction within any continental European country, seeks to establish reaction as a system or even to turn the clock back to the nineteen-thirties, the issue will be precipitated. A cleavage will be cut across Europe: within each country certainly and, since the decision can be expected to go to Russia, more probably between

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one part of Europe and the other. In fact, the cleavage is most likely to be between all Europe and the English-speaking countries, and it is by no means certain that, put to the ultimate test on the economic issue, Great Britain will be found arrayed with America. On political issues alone it would be, on economic issues doubtfully so. The British are a practical people and, however committed to tradition politically, they are by no means enamored of the past economically. In that case the cleavage will be between all Europe and America.

What has been said of Europe in this connection applies to at least part of Asia, to China certainly. China means to industrialize. For that purpose it needs capital in huge amounts. America is the principal source. But China has already laid down the philosophy on which it will modernize: it will not follow in the footsteps of the West. It will not leave private capital untrammeled. Sources of natural wealth and basic industries will be socialized. Some portions of the economy will be partly state-owned and partly private-owned. Some will be wholly private, but this will be the less important portion. If America stipulates the abandonment of this philosophy and program as a condition of granting loans, one of two things will happen. Either China will refuse and turn to Russia for help. For this there is a precedent. China turned to Russia after 1919, when Europe and America refused political help in the form of progress toward emancipation from foreign control. Or China will yield, and thus precipitate an internal division. The country is already divided on the social question. There is already a strong communist movement. Abandonment of the moderate semi-socialized scheme of development as a concession to America will add to the adherents of the communist cause, enough perhaps to make a struggle inevitable. In the nature of things Russia will not be able to stand apart, however correct it desires to be. It will not have to interfere directly. More probably it will only have to wait.

As one looks over the world in 1945 it seems almost as if every force in contemporary society were joined in an irresistible conspiracy to present most of the western world to Russia, all of it in fact except America, and perhaps most of Asia as

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well. British political reaction and American economic reaction seem to alternate, supplement or support each other in bringing about that end. Now one seems to be more effective, now the other. When the British seek to install so-called legitimist régimes in liberated countries, either to secure their own imperialist position or to insure against leftist régimes which might imperil their position, they are making more persuasive communist propaganda than ever the Communist International did or could. In Italy, in Greece, in Belgium the net effect will be to drive to the extreme left those who before were either moderates or neutral. Again, what the British are doing is to leave no choice between extremes, which in the current mood of Europe is to give victory to the left extreme almost by default. When the British, with our consent, restore to power in Italy the pre-fascist aristocracy, which was complaisant enough to Mussolini and the fascist gang when they were in control, and the small industrial and financial groups which were similarly complaisant, we may have won the first battle for the status quo but are losing the war to revolutionary overturn. Those who are neutralized or nullified thereby are the democratic elements, not the Communists. Those of the democratic elements who do not resign themselves to impotency will go to the Communists. The Communists need not do anything. They have only to wait. The fruit will ripen, and when it falls they can gather it. The same is true of Greece. It may prove to be true in Belgium, and in France, too, if the British and Americans seek to reimpose the industrial and financial oligarchy, with a respectable façade of pre-1939 political parties, hand-picked to do the bidding of the economically powerful. With respect to India, the point is self-evident.

Unfortunately it must be said the British and Americans cancel out each other's strength. The British are socially and economically enlightened but politically reactionary. This is to say that the paramount object is the preservation of their empire everywhere in the world regardless of the effect on the peoples and places involved and on the temper of world politics. To that everything else must be subordinated or accommodated, including the kind of régimes the British choose to

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support wherever they have influence, even if they do not exercise formal control. Thus, a régime is supported, not according to whether it has intrinsic capacity for good government and stability, but according to whether it will take no steps jeopardizing Great Britain's imperial interests, as, for example, the route to India. Here a qualification must be made. The wartime British government may be vestigial, preserved because of the undoubted and earned prestige accruing to Winston Churchill for what he signified in 1940 and 1941. It may not represent British majority opinion, and when the war is over the British people may be found unwilling to maintain the imperial pretensions of 1900 at the risk of another war. Subject to this qualification, however, it can be said that politically Great Britain is backward-looking and that its interests and activities make for conditions that produce wars. But the people of the countries in which Great Britain seeks to exercise influence do not accept the maintenance of British imperial interests as their primary object, and they will not accept an otherwise offensive régime just because it advances that object. If Great Britain sponsors a reactionary and unpopular régime and Russia stands as the alternative, fundamentally perhaps also serving a national interest but at least offering a régime sympathetic to the people, the choice will fall on Russia almost automatically.

America on the other hand is politically liberal and enlightened, in that its outlook conduces on the whole toward a system in which peace can subsist. At least it is free from the kind of political ambition that generates conflict. At the same time it is economically backward-looking, certainly not enlightened by the criteria common to most of the larger western countries. There may be reasons for this, reasons inherent in the American environment. It may be inevitable, given that environment, but the fact is indisputable. It has been remarked and commented upon by Europeans before this. They have for years been puzzled at the heat with which we debate issues long dead elsewhere. The British in particular have been amazed at the fury aroused by the New Deal, most of which is considered slightly old-fashioned in Great Britain. When told that Americans of education and position regard the New Deal as revolu-

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tionary, they have been either incredulous or amused. Most of the leaders of the British Conservative Party would consider the New Deal obvious and commonplace. But then most of the Conservative leaders would be considered suspect, if not subversive, in this country. It is doubtful whether they could be elected to the House of Representatives in some parts of this country. Naturally, people of other nationalities are puzzled, since they cannot reconcile this fact with the coincidental fact that in so much that is material this country is at the forefront of thought and achievement and is psychologically more open to change than any other country in the world. Not only Europeans are puzzled. It gives an American some pause to talk to an educated Chinese, Hindu, Korean or any other Asiatic and hear him say in a slightly patronizing tone: "Wonderful people, you Americans; you are rich, powerful, of good impulses; you are resourceful and can perform miracles; your cities are works of wonder—too bad you are so backward in all matters of social thought." These, incidentally, are the people we believe it our mission to educate in the ways of modernism.

No doubt, it must be repeated, there is an historical logic in American social convictions and attitudes. No doubt they are understandable and therefore, perhaps, excusable. Certainly we have the right to choose any form of social organization congenial to our national temper and attitude toward life. Let us, then, if we like, return to "normalcy", to the days of Harding and Coolidge. But Europe must be left a free agent for its part, free to decide for itself on what principle and by what methods it will organize its economic life, even if those are repugnant to us. We must waive our power to enjoin social experimentation and to impose what we call free enterprise. If Europe considers it necessary or desirable to go to a system of state intervention in business, even state ownership or operation of a large segment of the machinery of production, distribution and finance, we must accept the fact. We must do so, just as we know now that we shall have to accept Russia for what it is and despite the complete collective control of its economy. So we shall have to accept Europe for whatever it elects to be.

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If we do, there is a reasonable chance that Europe will find a solution of the economic problem by the median way, will work to a new basis for economic stability by compromise, by consent, by orderly evolution rather than resort to extremes, which almost inevitably will require violence and complete the destruction of Europe. In Great Britain especially there is such a prospect, for the British have mastered the art of compromise, have learned to give at both ends of the social scale. The upper classes in particular have learned by long experience the wisdom of relinquishing something in order to avoid losing the whole. Great Britain's example may point the way to the countries on the continent. Thus Europe may prove that security and individual liberty are not incompatible, that economic freedom can be limited without denial of the individual's right to freedom of thought and expression and conscience, that democracy can co-exist with a society deliberately organized to ensure a high standard of livelihood for the whole of the populace.

If on the contrary America seeks to veto any departure from the status quo by refusing credits whenever and wherever such departure is attempted, if thus it stiffens up the intransigent conservative or reactionary group in any country, the mass of the people in that country will turn for help against that group to the only source from which help can come—Russia. They will do so if only to emancipate themselves from economic dependence on America. Then the best that can be hoped for is that we shall have brought about quickly and without struggle Russian sovereignty over the European continent and the communization of Europe, with all that there is in Russian methods that goes against the grain in all those who have come to maturity in the traditions of government by consent and the dignity of the individual. For the only alternative will be that we shall have decreed a struggle between Red and White for world mastery—a gigantic civil war cutting across the European continent first and then across all the continents, a new Thirty Years' War to be fought not over religion but over property and therefore with even deadlier ferocity. That may be the real Goetterdaemmerung, the twilight of the gods of western culture.

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We shall have brought about something else, something almost fantastic. Then America will have broken its long tradition of political isolation, only to become really isolated for the first time in its history; for until 1914 America was only a non-participant in European politics. Otherwise, it was not isolated and did not want to be—quite to the contrary in all that concerned economic relations. Now when America has reconciled itself to the impossibility of keeping out of European wars and is prepared to merge itself in the European political system, it will be more completely out of the world stream than ever before. In the world politically, it will be out of the world in what underlies politics and is therefore more important. Thus it will have cut a deeper schism across the world than existed before. For when America abstained from European politics in order to avoid European wars, the consequences were not serious, since America did not count for much in the international scheme. Now it does count. Now it can affect the world decisively by what it does or does not do. When it seeks to live on one social plane while the rest of the world lives on another, when therefore it is really isolated, the result can be tragic for itself, for the world and for the hope of peace. While the doctrinaire exponents of the theory of economic determinism may have discredited it by interpreting it as the only law of life, and although the psychopathic personalities of the fascist leaders overshadowed all other causes of the present war, it nevertheless remains true that economic conflict is one of the main causes of war, if it is not more important than all the other causes combined. A world economically diseased cannot subsist in peace. Socially and economically isolated, America will make for war, not peace, however ardent it may be in its adherence to an international system for collective security.

NATHANIEL PEFFER

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OBSERVATIONS ON BEVERIDGE'S *FULL EMPLOYMENT IN A FREE SOCIETY* AND SOME RELATED MATTERS

SIR WILLIAM'S latest magnum opus,[1] the second in two years, teems with material which calls for review from various special angles. Already, at this writing, considerable good commentary upon it has appeared, both in Britain and the United States—some of it general, some rather specialized. There will probably be much more of it, for the book is peculiarly important and thought-provoking, in comparison not only with much contemporary literature but also with Sir William's own writing over thirty-five years.

The present review, even in article length, can be only a general-purpose one for the most part. It does seek, however, to do one thing which such a book uncommonly merits: so far as space permits, it treats the book in its *contextual* relationships —both to Sir William's own past stream of thought and to some nearly contemporary developments in other quarters.

All who have undertaken serious study of unemployment and business cycles have regarded his first and justly famous book on

[1] *Full Employment in a Free Society.* By [Sir] William H. Beveridge. New York, W. W. Norton & Co., Inc., 1945. 429 pp. $3.75. Except for an additional two-page Preface, and some minor differences in title page, etc., the text and pagination of the American edition are identical with that published three months before in Great Britain: London, George Allen & Unwin, Ltd., 1944. *12s. 6d.* Both editions comprise 274 pages of text proper, plus Appendices A-D, plus Index. The "Postscript" chapter in both editions (pp. 259-74) is substantially the same as Sir William's Presidential Address before the Royal Economic Society, June 22, 1944. *Economic Journal,* vol. LIV, pp. 161-76, June-September 1944.

Almost simultaneously with the book, there also appeared in Britain a pamphlet outline by Beveridge, *Full Employment in a Free Society: A Summary,* published jointly by *The New Statesman and Nation* and *Reynolds News* (London, 1944; 48 pp. *6d.*).

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unemployment [2] as a classic, and still do. Both his 1942 book and the present one are likewise landmarks. Both bring together, and synthesize, enormous masses of fact and argument, and distill out of them a prognosis in the form of various specific policy recommendations. These, in the present case, cover a still wider purview than before, and should interest the political scientist perhaps even more than the sociologist or the economist. Most of all, the book has vast bearings upon the interests of the citizen per se—though perhaps few laymen will read it.

The new book complements, in more ways than one, Beveridge's Social Insurance Report of 1942.[3] It may be recalled that that had been largely worked out, over a period of more than two years, by a group of government specialists under Beveridge's chairmanship, but shortly before its completion the government decided to accept it only as a report by him alone, because it contained such sweeping recommendations in regard to government social policy. The new book delves even more deeply and widely into matters of government policy, economic as well as social, and indeed into certain evolutionary and revolutionary recommendations concerning the British economy as a whole. Hence it is not surprising that, from the very outset, Beveridge worked out his new project altogether independently of the government. This does not mean that he wrote the book alone, for he did have the benefit of a staff, built up through the generosity of three friends. He also took advantage of his association with the Nuffield College group and the Oxford Institute of Statistics, and heavily drew upon—if he did not actually instigate—related economic projects undertaken there. What is surprising is that, even with the most intense application by himself and his staff, he was able to complete the new work as soon as he did, in May 1944. Being thus hurried, the book contains internal evidence of imperfect integration—

[2] W. H. Beveridge, *Unemployment: A Problem of Industry* (London, 1909, and later edns., esp. 1930.)

[3] Sir William Beveridge, *Social Insurance and Allied Services,* submitted to the British Government Nov. 20, 1942 (292 pp., Cmd. 6404,) published with a separate volume of "Memoranda from Organizations" (Apendix G—iv, 244 pp., Cmd. 6405). The former was likewise published soon afterward in the United States, under the same title (New York, 1942).

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" jagged edges " of partial inconsistency in thought, the apparently sudden addition of afterthoughts, et cetera. It does not make easy reading.

From a strictly economic viewpoint, the book presents several facets which may well be viewed here, though of necessity briefly. It makes at least two notable contributions to economic statistics. One is an elaborate analysis and interpretation of the rich mass of unemployment statistics which has now accumulated in Great Britain, dissecting them by industry, locality, and other criteria, in a more thorough and penetrating manner than anything which has come to this reviewer's attention from even the Ministry of Labour itself. Another statistical contribution is a new, or partially new, compilation of index numbers for general British economic conditions over a very extended period.[4] The book's contributions to business-cycle statistics might well merit an exclusive, specialized review.

Another facet having special appeal to an economist is the doctrinal one. The book is of course not primarily a treatise on theory, but at various points it does adumbrate upon foreign-trade as well as business-cycle theory. That is also true, in part, of the elaborate Appendix C, entitled " The Quantitative Aspects of the Full Employment Problem in Britain " and signed by Nicholas Kaldor. Doctrinally, Beveridge and Kaldor are avowed Keynesians, and draw heavily not only upon Keynes himself [5] but even more directly upon the slightly variant views presented by a group of six economists at Oxford. The latter carried on their work simultaneously, and perhaps in conjunction, with Beveridge, and in July 1944 published a small but very important volume of their own.[6] A searchingly critical review of Beveridge—in the light of the latter book and related writings, from 1936 on, by Keynes and his disciples—would be a worthy enterprise for the economic theorist. For the present purpose, however, one must be content to point out simply the

[4] Broadening the period covered by the indexes which Beveridge published four years earlier: *Oxford Economic Papers*, No. 3 (February 1940), No. 4 (June 1940).

[5] *The General Theory of Employment, Interest, and Money* (New York, 1936).

[6] F. A. Burchardt, M. Kalecki, G. D. N. Worswick, E. F. Schumacher, T. Balogh, and K. Mandelbaum, *The Economics of Full Employment: Six Studies in Applied Economics* (London, 1944).

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dependence of Beveridge's whole diagnosis and prognosis upon the Keynesian doctrine.[7] He and Kaldor "implement" this by making the central guide of economic policy a tabular analysis and forecast, to be made once a year, of the whole national income, and "outlay" of both expenditure and investment types, private and governmental. Government would then take any necessary action toward so adjusting either its own or the public's "outlays" as to restore any shortage in expected "demand" necessary to hold up employment.[8]

That much, and more, Beveridge has in common with the British government's own White Paper on Employment Policy.[9] This document (with which Beveridge had nothing to do) appeared between the completion and the publication of his manuscript. The White Paper presented fairly advanced ideas, including the use of this new type of budget as a guide to employment policy,[10] but not nearly advanced enough to suit Beveridge, who therefore wrote in the "Postscript" to his book a severe attack upon the government for the moderation of its employment, fiscal and other goals. That chapter more than

[7] Beveridge expressly repudiates belief in some other business-cycle forces to which he had formerly assigned weight: for example, "the idea that high or rigid wages were an important cause of unemployment [which] was substantially accepted by myself in the edition of *Unemployment*...." But, in point of fact, do not wage rates and many other factors too—both economic and psychological, both measurable and immeasurable—have a profound causal bearing upon the business cycle? Is not this a *multiplex* phenomenon, inexplicable by any *simple* theory of what might be termed the Monist type?

[8] Perhaps it is no mere coincidence that, in spirit, President Roosevelt's new kind of national budget proposal, in his Message to Congress dated Jan. 3, 1945, closely resembles Beveridge's. Both imply not only that prosperity is due to a single force, but also that that force can be forecasted reliably enough to form a good guide to policy. To this reviewer, both seem heroic assumptions.

[9] Employment Policy, May 1944 (Cmd. 6527); republished in the United States (New York, 1944). For the debates on it, see Hansard, *Parliamentary Debates*, June 21, 22, 23 (Commons), and July 5, 6, 1944 (Lords).

[10] It seems not to be generally realized, even among economists, that a generalized type of national income budget has been actually used by the British government for several years past, and published as White Papers (Cmd. 6261, 6347, 6438, 6520). Those, coupled with the one on Employment Policy, are coming to be regarded as the central guide to the present government's whole post-war economic policy. Also see the illuminating discussion in Commons by Sir John Anderson, Chancellor of the Exchequer (Hansard, April 25, 1944, esp. col. 653).

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any other in the book, together with the White Paper itself, is worthy of careful reading by any social scientist.

The fullness of employment now demanded by Beveridge is of a much higher order than either that predicated in the White Paper, or even that which Beveridge himself seemed content to assume two years before. In his Social Insurance Report, it may be recalled, he had set his scale of premiums, etc., on an assumed average unemployment of 8.5 per cent. He had then expressly stated that this "Assumption C does *not* imply *complete* abolition of unemployment . . . ; the possibility of controlling completely the major alternations of . . . the trade cycle has *not* been established. . . .It is right to *hope* that unemployment can be reduced below that level . . . but it *would not be prudent*. . . ." (Italics mine.)

But now he demands a much better accomplishment, with the unemployed at a bare 3 per cent or employment at 97 versus the old 91.5 per cent.[11] The reader might, offhand, be disposed to dismiss this shift as a matter of no importance—"just a statistic"; he might suppose that Beveridge is "only raising his sights a little." But any such supposition would be a grievous mistake, for the seemingly small difference in "the statistic" alters the economic nature of the problem most radically. When Beveridge had postulated an employment which "through good years and bad" should average 91.5 per cent, he need not have had in mind[12] anything more drastic than some leveling out of both valleys and peaks, or in other words an economic stabilization near the *average, or axis*, of the fluctuations. Even with the utmost of prudence in the government's economic policies, and of coöperation by it with the enterprise system, a stabilization of that kind and extent would be a substantial improvement over Britain's experience between the wars, and would be diffi-

[11] The only other important change in his economic postulates, and one which is not essential to the present discussion, is that he now envisages a post-war price level up one-third from 1938, instead of up one-quarter as in his 1942 Report.

[12] What he actually had in mind was, even then, something much more drastic than the words of the Social Insurance Report stated. One could discern this from certain implications "between the lines" of that document, and explicitly from several speeches which he made at about the time when it was published—especially one before the Fabian Society November 21, and another at Oxford December 9, 1942.

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cult enough to achieve; but it could conceivably be attained without excessive loss of flexibility, and without sweeping changes in the economic institutions of the country. However, he now demands that "there shall always be more vacant jobs than unemployed," and will tolerate even 3 per cent unemployment "only because there is industrial friction and not because there are no vacant jobs." [13] He insists that the labor market shall "always be a seller's market", and now goes even so far as to claim that "3 percent appears as a conservative, rather than an unduly hopeful, aim to set. . . ." In short, he proposes now to stabilize the economy, not at the *average, or axis,* but at perpetual *peak* levels. He proposes "the maintenance of a level of employment hitherto not even attained during booms." Now that is truly a large order! It raises many questions, both specific [14] and general. In what follows, attention is devoted primarily to the effects of this proposal upon economic freedoms and institutions.

Small wonder, then, that he sees no way to make these raised expectations come true without a major operation upon the very system of private enterprise which has provided the vast bulk of employment. Nor is it to be merely an appendectomy; for the surgeon has "raised his sights a little" and proposes to cut out the patient's heart! Essentially, free enterprise is to pass out, and (through a combination of public controls and outright ownership) the State is to take over—yet "in a Free Society", says the title of the book.

Not only must the various types of entrepreneurs in finance, industry and trade suffer great abridgments in their freedom, but so must the rank and file of the citizenry. Beveridge does

[13] In its objective, his proposal is an obvious analogue to the "Jobs for All" movement in the United States. It can hardly fail to remind the American observer of President Roosevelt's advocacy of "60,000,000 jobs" (Oct. 28, 1944 and since); Secretary of Commerce Wallace's forthcoming book on that subject; and the proposed Murray-Wagner-Thomas-O'Mahoney Full Employment Act of 1945, introduced January 22 (S. 380).

[14] Just as an illustration: how would a perpetual seller's market for labor affect industrial efficiency, therefore the durability of the boom? And the competitive-cost position of Britain in world markets? Incidentally, this is only one of many points on which Beveridge's treatment of Britain's foreign trade problem after the war leaves this reader with profound misgivings.

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not admit all this. Indeed, even the liberties which he does admit that the State must encroach upon, to achieve full employment, are all, in his view, not "essential" ones. Moreover, some liberties which he does not admit would be encroached upon at all would nevertheless be so in fact, as will presently become clear.

The combined effect of insisting upon so high a level of employment and of espousing the Keynes doctrine leads Beveridge into adoption of an extreme fiscal policy. True, he at some points pays a compliment to the idea of budget balancing; but that seems little more than lip service, for he elsewhere goes even further than most other fiscal "liberals". This too is a field which is here impracticable to explore as fully as its importance justifies. Suffice it to say that Beveridge apparently views perpetual deficits [15] with equanimity, even in peacetime. If inflation, coupled with government direction of activity, has brought about full or substantially full employment "twice in my lifetime" (meaning World Wars I and II), why not in peacetime too? Instead of breathing spells to recover from the economic fevers which unfortunately but necessarily accompany major wars, shall we try to make inflation a perpetual benefit?

Another effect of Beveridge's doctrinal position is to make him advocate that the government, rather than economic forces in the market place, shall guide the flow of investment. He frankly "accepts the view expressed by J. M. Keynes . . . 'that the duty of ordering the current volume of investments cannot safely be left in private hands'", and favors not only much more of direct government investment, but also "a National Investment Board which would plan investment as a whole." This would function under, or as a part of, the government's "Economic General Staff".

A direct corollary to that—and a most important one—is that freedom of investment choice shall of course be denied to individual as well as other investors. Indeed, Beveridge altogether

[15] In so far as he considers deficits and increase in the public debt undesirable, he does so, not because of inflationary considerations, but because he dislikes to see the number and wealth of *rentiers* increase. Also he favors "making the rate of interest continually lower, till in the phrase of J. M. Keynes the 'euthanasia of the rentier' is accomplished" (as well as to keep employment high).

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rejects from the list of what he considers "essential liberties" [16] the right "of a private citizen to own means of production and to employ other citizens in operating them at a wage." He does this for a strange and unconvincing reason: "because it is not and never has been enjoyed by more than a very small proportion of the British people." This discloses a blind spot in Beveridge's observation; for, as the government preëmpts ownership, it would, *pro tanto*, approach monopolistic control of the labor market, with consequent encroachment upon the worker's freedom to choose among competing employers.

Just how far Beveridge would actually go toward government displacement of private industrial enterprise is unclear to the reader of the book, and seemingly to its author as well. At one point he sees "every reason for hope that full employment could be assured in peace . . . while leaving the major part of industry to private enterprise." But elsewhere he advocates letting future circumstances settle the matter. In still other places he seems to favor on a fairly extensive scale "expansion of the public sector of business," not only "to bring monopolies under assured control," but also to enlarge the area within which investment can be stabilised directly," and moreover "to increase the power of the State directly to stabilise demand in a specified sector."

Private industrial enterprise, in such sectors as Beveridge might tolerate its continuance at all, would certainly be subject to very stringent controls, of which only some are expressly stated by him. Thus a good deal is masked behind his protestation, at various points, that his full employment policy calls for "socializing *demand* rather than *production*." Continued government dictation over prices, wages and profits would seem to be rather inevitable corollaries. In any event, Beveridge's advocacy that the government, rather than market forces, determine "social priority" among the kinds of goods to be produced seems definitely one form of "socializing" *production itself*. Clearly any such power would encroach upon both producer

[16] "Essential citizen liberties . . . are taken as freedom of worship, speech, writing, study and teaching; freedom of assembly and of association for political and other purposes, including the bringing about of a peaceful change of the governing authority; freedom in choice of occupation; and freedom in the management of a personal income."

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and consumer freedoms of choice, which could be exercised only within the limits of the list of production quotas which the government might at any given time assign. Nor does Beveridge apparently propose this merely as an expedient for the transition from wartime scarcity to peacetime plenty, but as a permanently necessary and desirable power of the government over the citizenry.

Beveridge not only advocates thus circumscribing consumer freedom, but also proposes direct government intervention in the marketing of consumer goods. For some of these, he says that the government should "not intervene in any way . . ."; for a substantial category of consumer goods, however, he suggests "joint outlay in which the State and the private citizens are both concerned, that is to say where the State buys in the first instance, with a view to reselling later at a price which may or may not be lowered by subsidy." To the extent that subsidized "joint outlay" takes place, it would evidently have the effect of directly "purchasing compliance" of the consumer in his choices. Even if the government avoided any subsidies, it plainly would preëmpt private enterprise in at least a part of the consumer marketing process. Beveridge thinks, however, that government participation in marketing would be confined to the wholesaling segment. He would eschew such government activity in retailing. But can he be right in assuming that government action would not, in course of time, seep down to the retailing level as well?

Another economic freedom which Beveridge proposes to remove is that of the industrial entrepreneur to locate his plants in the places which he deems economically and otherwise the most suitable. Here he draws heavily upon the well-known Barlow and Uthwatt Reports,[17] and makes government control of industrial location one of his own central requirements—secondary only to the Keynesian one that the government shall maintain the nation's total "outlay" and demand.

He does not hesitate to say "control" of the location of industry; yet in his next recommendation, which concerns labor, he carefully refrains from speaking of it as a "control", and

[17] Cmd. 6153 and 6386, respectively.

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uses the semantic substitute, "organized mobility". None the less, it truly is a control and direction of the workers' occupational and geographical choice—particularly for the annual crop of "adaptable juveniles". He does not think his plan would impair the freedom to bargain collectively over wage rates, and so forth, except in so far as "irresponsible sectional wage bargaining" may get out of hand and "lead to inflationary developments." This he proposes to avert by prevailing upon the central organizations of labor to see that wage rate actions by their constituent groups be suitably "coördinated"; if that fails, he falls back upon arbitration. But if that in turn fails, what happens next? Could a government which had charged itself with the heavy responsibilities of "Full Employment" stop short of fairly drastic action which would encroach much further upon worker freedoms?

Indeed, the freedom of the citizen per se would seem ultimately to come under jeopardy, if one tries to think through the political as well as the economic corollaries to Sir William's many-sided plan. He does not fail to admit that maintaining full employment is more "complicated" in a free society than it would be under a totalitarian régime, and concedes that a government seeking full employment would have to have stability of economic policy. But he follows the thought through only to the extent of insisting that none of the freedoms that he considers essential can be exercised "irresponsibly". If so exercised, what happens then? If the British government were so committed, and found itself beset by public outcry against some of its policies or even by a threatened overturn, could it leave the political freedoms untouched? Would it not have to choose between the two horns of the dilemma? After all, *is* "Full Employment" compatible with "A Free Society"? Would "Full Employment" really leave more than the vestigial relics of bygone freedoms?

Enough has been said of Sir William's program, to indicate that it is not far from state socialism—though he does not admit that except in terms of the semantic substitute or near-substitute, "Economic Planning". Despite his silences on some phases or corollaries of his program, he has explicitly blue-

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printed more of them than is customary among most other proponents of the same school. Among the latter, some British and many American advocates have tended to omit describing in their writings the full variety and extent of the economic, social and political controls which adoption of such a program would imply. Do they really believe there would be no loss of liberties? Or have they failed to think the matter through? Or do they deliberately blur and withhold large segments of the truth, hoping and preferring to get the program started through mere loose, broad and emotional appeal? With some citizens, the belief in economic planning is hardly more than a religious tenet; there is danger that they will think it through too little and too late. Commonly they are stout defenders of economic and civic freedoms, and would be loath to forego these, even for economic planning, if they could see and weigh all of the latter's implicit corollaries. Such citizens are helped to see the full truth by the historical approach, which largely characterizes Hayek's and von Mises' exposés.[18] Others will be helped by Beveridge's analytical approach. He deserves the gratitude of citizens throughout the democratic English-speaking world, for going as far as he does toward making explicit to them the implicit corollaries of such a full employment as he envisions. With their eyes fully opened they can make up their minds before embarking on an irreversible journey.

Perhaps the British already have made their decision. There is more than a little collateral evidence that such may be the case. Many individual Britons, and some organized groups within industry, trade and labor,[19] appear not only to tolerate but actively to favor an advanced form of economic planning. Some actions by our own and other governments in the past year or two may even be pointed toward economic planning in

[18] Friedrich A. Hayek, *The Road to Serfdom* (Chicago, 1944); Ludwig von Mises, *Omnipotent Government: The Rise of the Total State and Total War* (New Haven, 1944) and *Bureaucracy* (New Haven, 1944).

[19] Also, among political groups, the "Tory Reform Committee"; the Labor Party; and the Liberal Party, of which Beveridge, now a Member of Parliament, is a Party Vice-President too.

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several fields on an international scale. Such intergovernmental controls may have the effect of installing economic planning in some countries via the back door, without frontal consideration of its merits. Through that or more direct routes, the corporative state or some form of socialism may be "inevitable" in the sense that Schumpeter [20] uses that term; but perhaps in Britain, and more probably in Canada and the United States, the trend is not yet too strong to be reversible if enough people, soon enough, wake up.

WILLIAM A. BERRIDGE[21]

NEW YORK CITY

[20] Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York and London, 1942).

[21] For aid in examining the Beveridge and other writings herein mentioned the author is indebted not only to some members of his staff but even more to his wife, Ruth Reid Berridge.

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DUE PROCESS:
FIFTH AND FOURTEENTH AMENDMENTS

SEVERAL years ago we celebrated the one hundred and fiftieth anniversary of the federal Bill of Rights, and our interest in that subject has been further quickened by the nature of the war in which we are at present engaged. Probably few of the general public are aware, however, that what we call the Bill of Rights (the first ten amendments to the federal Constitution) apply, strictly speaking, to the national government only. Until a few years ago it could have been said with entire truth that, so far as the federal Constitution was concerned, any state was at liberty to deprive its residents of their freedom of speech or freedom of the press—except as those rights happened to be guaranteed by the constitution of the state concerned. In the light of recent decisions by the Supreme Court, such a statement is no longer true. There has been no change in the interpretation of the first ten amendments, nor has the Court held that they apply to the states. What, then, has happened? In brief, the Supreme Court has adopted a much broader interpretation of the Fourteenth Amendment—particularly in regard to the word *liberty*, as found in the due process clause. By this gradual process of reinterpretation, not only has much of the federal Bill of Rights been extended to the states, but the due process clause of the Fourteenth Amendment, which presumably meant the same thing as its older brother of the Fifth Amendment, has come to mean something quite different.

It is notorious that the concept of due process has been the occasion of more litigation than any other single clause in the Constitution. But the vast majority of the cases that have arisen have been based on the clause found in the Fourteenth Amendment rather than on that in the Fifth, and most of them have occurred since the eighteen-eighties. It is a curious fact that, whereas there was such a clause in the Constitution for

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eighty years before the incorporation of a similar clause in the Fourteenth Amendment, the earlier one had occasioned relatively little litigation.[1] There are at least two reasons for this phenomenon. First, the federal government, particularly in our earlier history, had relatively little contact with the average citizen or with business organizations. Second, the substantive concept of due process, as a limitation on the legislative branch, had been applied to only a very slight degree under the Fifth Amendment prior to 1868; and, in fact, it did not become common until a score of years after the Civil War.

The common assumption is that when the due process clause was incorporated in the Fourteenth Amendment as a limitation on the states, it was intended to have the same content as its prototype in the Fifth Amendment. There seems also to have been a fairly widespread idea that the concept of due process was reasonably well understood and definite, although the earlier decisions of the Supreme Court do not corroborate that idea very satisfactorily. There is some evidence[2] to the effect that the more extreme Radical Republicans in Congress hoped and expected that the due process clause would serve to bring about the application of all the first eight amendments to the states, but it is evident that John A. Bingham, who is credited with being the author of the first clause of the Amendment, was rather skeptical as to how it would be enforced. For fear of a restrictive interpretation by the courts, he supplemented the due process with the equal protection and the privileges and immunities clauses.

Cases began to come up almost immediately, of course, invoking the broad interpretation, but the Supreme Court in a series of cases rejected the idea that the Fourteenth Amendment was intended to make any fundamental shift in our federal system. Attempts first centered on the privileges and immunities clause, and, when they failed, attention was shifted to the due process clause. Every possible constitutional clause was dragged out in

[1] In the case of Davidson v. New Orleans, 96 U. S. 97 (1878) Mr. Justice Miller complained of the persistent resort to the Fourteenth Amendment clause, whereas little notice had been taken of its forerunner.

[2] See Louis A. Warsoff, *Equality and the Law* (New York, 1938), p. 84.

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the famed *Slaughterhouse* cases,[3] but the Court rejected them all. A little later, in the *Cruikshank* case,[4] there was an attempt to prove that a state infringement of the right of assembly was a violation of the privileges and immunities clause, but the Court categorically denied that this clause transferred the First Amendment to the states.

Several years later a New Orleans special assessment was objected to on the ground that it denied due process under the Fourteenth Amendment. In repudiating this claim the Court made the following remarks:

> It may violate some provision of the state constitution against unequal taxation; but the federal Constitution imposes no restraints on the States in that regard. If private property be taken for public uses without just compensation, it must be remembered that, when the Fourteenth Amendment was adopted, the provision on that subject, in immediate juxtaposition in the Fifth Amendment with the one we are construing, was left out. It may possibly violate some of those principles of general constitutional law of which we could take jurisdiction if we were sitting in review of a circuit court of the United States as we were on Citizens' Savings & Loan Association v. Topeka (20 Wall. 655, 22 L. ed. 455). But however this may be, or under whatever other clause of the federal Constitution we may review the case, it is not possible to hold that a party has, without due process of law, been deprived of his property, when, as regards the issues affecting it, he has, by the laws of the State, a fair trial in a court of justice, according to the modes of proceeding applicable to such a case. . . .[5]

During the thirty years following the adoption of the Fourteenth Amendment several attempts were made to induce the Court to adopt the contention of the Radical Republicans, namely, that the first section of that Amendment embodied the federal Bill of Rights; but without success. The Court applied a neat and logical rule to all such attempts—the old legal maxim of *inclusio unius est exclusio alterius*, that is, no portion of the

[3] 16 Wall. 36 (1872).

[4] United States v. Cruikshank, 92 U. S. 542 (1875).

[5] See footnote 1, *supra*.

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Constitution is to be considered as including any other portion.[6] Since the due process clause appears in the Fifth Amendment *in addition to* jury trial, grand jury indictment, freedom of speech and press, and all the other rights and privileges of the first eight amendments, the presumption is that due process is something distinct and does not overlap any of the other concepts. If such an interpretation is to be adopted in regard to the Fifth Amendment clause, it likewise applies to the Fourteenth Amendment counterpart, which is assumed to have the same meaning.

This rule was laid down in the eighteen-eighties in the well-known case of *Hurtado v. California*,[7] in which the state had provided for indictment other than by grand jury. It was contended that since indictment by grand jury was required by the federal Constitution in federal trials, it was a violation of due process for the state to abolish such procedure in state trials. The Supreme Court, however, rejected the contention in the following language:

> According to a recognized canon of interpretation, especially applicable to formal and solemn instruments of constitutional law, we are forbidden to assume, without clear reason to the contrary, that any part of this most important amendment is superfluous. The natural and obvious inference is, that in the sense of the Constitution, "due process of law" was not meant or intended to include, *ex vi termini*, the institution and procedure of a grand jury in any case. The conclusion is equally irresistible, that when the same phrase was employed in the Fourteenth Amendment to restrain the action of the States, it was used in the same sense and with no greater extent; and that if in the adoption of that amendment it had been part of its purpose to perpetuate the institution of the grand jury in all the States, it would have embodied, as did the Fifth Amendment, express declarations to that effect.

The Court followed this rule with almost complete consistency for a long period of years. It must be admitted that the rule

[6] This principle is stated as follows in the earlier case of Den ex. dem Murray's Lessee v. Hoboken Land and Improvement Co., 18 How. 272 (1856): "When the fifth article of amendment containing the words now in question was made, the trial by jury in criminal cases had thus already been provided for."

[7] 110 U. S. 516 (1884).

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has the virtue of being definite and logical, and the Court avoided a good deal of trouble by following it.

For instance, when the state of Utah experimented with an eight-man jury, the idea was at once attacked as a violation of the Fourteenth Amendment, under both the privileges and immunities clause and the due process clause. Again, however, the Court applied its rule and denied the contention, citing the *Hurtado* case with approval. Mr. Justice Harlan, however, dissented vigorously and held that due process did require a full common law jury. Indeed, he went beyond that point and argued for the application of the whole Bill of Rights, declaring:

> . . . if the court had not ruled otherwise, I should have thought it indisputable that when by the Fourteenth Amendment it was declared that no state should make or enforce any law abridging the privileges or immunities of citizens of the United States, nor deprive any citizen of life, liberty, and property without due process of law, the People of the United States put upon the states the same restrictions that had been imposed upon the national government in respect, as well of the privileges and immunities of citizens of the United States, as of the protection of the fundamental rights of life, liberty, and property.[8]

Meanwhile, however, just prior to the *Maxwell* case, the Supreme Court had permitted the first flaw in the logical perfection of its position. In the case of the *Chicago, Burlington, and Quincy R. R. Co. v. Chicago*,[9] the question of eminent domain and just compensation had come up. The city had condemned a portion of the railroad right-of-way for the purpose of cutting through a street. Under the *Hurtado* rule it could scarcely be contended that due process included due compensation, since both principles existed side by side in the Fifth Amendment. Nevertheless, the Court could not reconcile itself to the idea that a state could take private property for a public use without just compensation, and the justices therefore took their first step away from the *Hurtado* rule and held that such action by a state was a violation of due process. In its approach to this new position the Court spoke as follows:

[8] Maxwell v. Dow, 176 U. S. 581 (1900). [9] 166 U. S. 226 (1897).

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> Due process of law, as applied to judicial proceedings instituted for the taking of private property for public use, means, therefore, such process as recognizes the right of the owner to be compensated if his property be wrested from him and transferred to the public. The mere form of the proceedings instituted against the owner, even if he be admitted to defend, cannot convert the process used into due process of law, if the necessary result be to deprive him of his property without compensation. . . .

And then coming more definitely to the point:

> In our opinion, a judgment of a state court, even if it be authorized by statute, whereby private property is taken for the State or under its direction for public use, without compensation made or secured to the owner, is, upon principle and authority, wanting in the due process of law required by the Fourteenth Amendment. . . .

Some years later the Court reverted to the *Hurtado* rule, although aware that the logical consistency of its position had been somewhat marred. In the case of *Twining v. New Jersey*[10] the question was raised whether freedom from self-incrimination was guaranteed against the states under the due process clause. Since it is separately guaranteed in the federal Bill of Rights, it is presumably not covered by the Fifth Amendment due process clause. The Supreme Court, however, categorically denied that the Fourteenth Amendment clause covered freedom from self-incrimination. In the course of its remarks the Court admitted that the *Hurtado* rule might no longer be an absolute guide. Although the specific claim was denied in the instant case, the Court said: "This contention requires separate consideration, for it is possible that some of the personal rights safeguarded by the first eight amendments against national action may also be safeguarded against state action, because a denial of them would be a denial of due process of law."

After the *Twining* case in 1908 there were no very significant developments for a considerable length of time. Then in the "Red scare" following the World War, when there were a num-

[10] 211 U. S. 78 (1908).

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ber of prosecutions under various state syndicalism laws, the claim was raised that the "liberty" guaranteed under the Fourteenth Amendment incorporated that freedom of speech which was specifically protected by the First Amendment. At first this idea was rejected by the Court, a dictum in the case of *Prudential Insurance Company v. Cheek*[11] definitely denying it. A few years later, however, the Court reversed itself and accepted the idea, although again by way of dictum. In the case of *Gitlow v. New York*[12] a member of the Communist Party was under prosecution for alleged violation of the New York Criminal Anarchy Act. The defense claimed that the law itself was invalid in that it deprived persons of their freedom of speech which was a phase of liberty protected by the due process clause of the Fourteenth Amendment. The Court admitted the claim in regard to freedom of speech, but denied that the New York law was invalid even so.

In subsequent cases, however, the idea was definitely established as law rather than as a mere dictum; and once it is conceded that freedom of speech is protected by due process, there is no logical ground for denying that freedom of the press is similarly covered. The point was settled in the case of *Near v. Minnesota*,[13] in which a state law providing for the suppression of scandalous and defamatory newspapers was attacked as infringing due process. The Supreme Court invalidated the law and in so doing settled the status of freedom of the press in the following language:

> ... It is no longer open to doubt that the liberty of press and speech is within the liberty safeguarded by the due process clause of the Fourteenth Amendment from invasion by state action. It was found impossible to conclude that this essential personal liberty of the citizen was left unprotected by the general guaranty of fundamental rights of person and property.

[11] 259 U. S. 530 (1922). The Court said: ". . . neither the Fourteenth Amendment nor any other provision of the Constitution of the United States imposes upon the states any restriction about 'freedom of speech' or the 'liberty of silence'" (at p. 543).

[12] 268 U. S. 652 (1925).

[13] 283 U. S. 697 (1931).

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The rule has been applied in a number of subsequent cases during the past ten years, and must now be regarded as firmly established.

Freedom of assembly would seem to be on the same logical basis as speech and press, and it is therefore not surprising to find the Supreme Court including it also in the concept of due process. In the case of *De Jonge v. Oregon*[14] the state was prosecuting an individual merely on the ground that he had attended a meeting of an organization which was alleged to be subversive and illegal. The Court held that mere innocent attendance upon a public meeting, provided no overt acts were committed, could not be forbidden without infringement of one's liberty without due process of law; and thereby admitted to the concept of due process the right to freedom of assembly.

The First Amendment guarantees, in addition to freedom of speech, press and assembly, the right of freedom of religion. In view of the fact that the Supreme Court had extended the Fourteenth Amendment concept of liberty to the three first mentioned, it was to be expected that sooner or later it would be so interpreted as to cover freedom of religion also; and that is exactly what happened. Again, the principle was first stated in the form of a dictum. In the case of *Hamilton v. The Regents of the University of California*,[15] a student objected to compulsory military training on the ground that such training was contrary to his religious convictions, and that the application of the requirement to him was therefore a denial of religious freedom which was protected by the due process clause of the Fourteenth Amendment. The Court in effect admitted the latter part of his contention, but in view of the fact that they held the requirement not to be an infringement of religious freedom, it cannot be said that the principle was definitely established in this case.

A few years later, however, the Court was faced with the question of the compulsory flag salute, as applied to children of Jehovah's Witnesses families, in the famous case of *Minersville*

[14] 299 U. S. 353 (1937).

[15] 293 U. S. 245 (1934).

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School District v. Gobitis.[16] Here it was claimed that the flag salute requirement was definitely an interference with freedom of religion, under the Fourteenth Amendment due process clause. This time the Court squarely accepted the contention, although still holding that the action of the school board was not an infringement of religious liberty. However, just three years later, in a spectacular case of reversal, the Supreme Court changed its mind and held that such a compulsory flag salute was a violation of religious freedom and was forbidden by the Fourteenth Amendment.[17] Meanwhile several other cases, in other connections—some of them involving the same religious sect—had reiterated the point, so that it must now be regarded as firmly established.

From the foregoing it appears that the whole First Amendment has been read into the word liberty as it appears in the due process clause of the Fourteenth Amendment. No other article of the federal Bill of Rights has been so completely transferred as this. Even in the case of the First Amendment, however, there are distinctions in the details of interpretation and application. As the Supreme Court said in the second flag salute case: "The test of legislation which collides with the Fourteenth Amendment, because it also collides with the principles of the First, is much more definite than the test when only the Fourteenth is involved. . . ."

Another portion of the federal Bill of Rights which has fairly definitely been read into the Fourteenth Amendment is the last clause in the Sixth Amendment, which provides that a person "accused of crime shall have the assistance of Counsel for his defense." This was brought out in the first of the famous Scottsboro cases, *Powell v. Alabama.*[18] In this case several negro boys were charged with rape of two white girls—an exceedingly serious charge in a southern community. At the time of their arraignment the boys appeared in court without counsel, where-

[16] 310 U. S. 586 (1940). Actually the point was established two weeks earlier in the case of Cantwell v. Connecticut, 310 U. S. 296 (1940).

[17] Board of Education v. Barnette, 319 U. S. 624 (1943).

[18] 287 U. S. 45 (1932).

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upon the judge, in a very offhand fashion, appointed all members of the local bar who were not involved in the case to act for the defense. Several days later the case went to trial, there still being no counsel definitely assigned to the case.

Of course the result was a conviction, but fortunately the case was eventually taken to the United States Supreme Court, on the ground that the right to counsel was an essential part of due process. The Supreme Court reversed the conviction and remanded the case to the state courts, endorsing the contention of the defense in the following language:

> . . . in a capital case, where the defendant is unable to employ counsel, and is incapable of adequately making his own defense because of ignorance, feeble-mindedness, illiteracy, or the like, it is the duty of the Court, whether requested or not, to assign counsel for him as a necessary requisite of due process of law.

This would seem to indicate that the right to counsel clause of the Sixth Amendment was definitely transferred to the Fourteenth Amendment, and yet if one reads the opinion carefully he will note that the Court has used rather guarded language which does not necessarily involve a complete transference. Although many people concluded that such had actually been the result of the *Powell* case, a recent decision of the Supreme Court indicates that due process does not cover quite as much territory in regard to the right to counsel as does the Sixth Amendment.

In the case of *Betts v. Brady* [19] a man charged with a relatively minor offense claimed to be indigent and incapable of hiring counsel, and asked that the Court appoint counsel for him. Upon the refusal of the Court to do so, the defendant conducted his own defense, but was convicted. After having sought redress unsuccessfully in the state courts, he finally induced the Supreme Court to consider his contention that the refusal of the state court to furnish counsel deprived him of his liberty without due process of law. In rejecting his claim the Court made the following interesting distinction between the Sixth Amendment and the Fourteenth Amendment:

[19] 316 U. S. 455 (1942).

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> The Sixth Amendment of the national Constitution applies only to trials in federal courts. The due process clause of the Fourteenth Amendment does not incorporate, as such, the specific guarantees found in the Sixth Amendment, although a denial by a State of rights or privileges specifically embodied in that and others of the first eight amendments may, in certain circumstances, or in connection with other elements, operate, in a given case, to deprive a litigant of due process of law in violation of the Fourteenth. Due process of law is secured against invasion by the federal Government by the Fifth Amendment, and is safeguarded against state action in identical words by the Fourteenth. The phrase formulates a concept less rigid and more fluid than those envisaged in other specific and particular provisions of the Bill of Rights. Its application is less a matter of rule.

The Court concluded that, in cases where the offense is not a capital one, due process does not require that the state shall furnish counsel, but only that it shall put no obstacle in the way of the defendant securing counsel for himself. Justice Murphy, however, entered a vigorous dissent, holding that the due process clause should be given just as broad an interpretation as the Sixth Amendment. Said he:

> If this case had come to us from a federal court, it is clear we should have to reverse it, because the Sixth Amendment makes the right to counsel in criminal cases inviolable by the Federal Government. I believe that the Fourteenth Amendment made the Sixth applicable to the states. But this view, although often urged in dissents, has never been accepted by a majority of this Court and is not accepted today. A statement of the grounds supporting it is, therefore, unnecessary at this time. I believe, however, that, under the prevailing view of due process, as reflected in the opinion just announced, a view which gives this Court such vast supervisory powers that I am not prepared to accept it without grave doubts, the judgment below should be reversed.

The Sixth Amendment also guarantees an accused person the right "to be informed of the nature and cause of the accusation." It is sometimes claimed that in a rather indirect way this provision likewise has been read into the Fourteenth Amendment. The basis of this claim is the interpretation put upon the clause

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in the case of *United States v. Cohen Grocery Company*,[20] in which part of the food control act of the first World War was declared unconstitutional on the ground of vagueness. It was said that, when a criminal penalty is prescribed for a certain type of conduct which is so vaguely described that the alleged offender cannot tell whether he is obeying the law or not, he is being deprived of his right to be informed of the nature of the charge.

It might be debated whether this is the real intent of the phrase in the Sixth Amendment, but, assuming for the sake of argument that it is, there are some cases which indicate that a similar meaning has been read into the due process clause of the Fourteenth Amendment. In the case of *Connally v. General Construction Company*,[21] the state of Oklahoma had required all employers doing work on contract for the state to pay the "prevailing rate" of wages "in the locality" where the work was being done. The statute also imposed criminal penalties for violation. The General Construction Company, charged with violation of the statute, defended itself on the ground that such terms as "current wages" and "locality" were so vague that it was impossible to say whether one was operating within the law or not. Defeated in the state courts, the Company appealed to the United States Supreme Court, alleging that it was being deprived of property without due process of law by reason of the vagueness of the statute. The Court accepted the contention and reversed the decision of the state courts.

The principle was reiterated some years later in much more spectacular, though quite different, circumstances. In an old statute passed shortly after the Civil War, the state of Georgia had forbidden persons to incite others to "insurrection" against the state. One Angelo Herndon, a negro member of and organizer for the Communist Party, was arrested and charged with violation of this statute. Convicted and sentenced in the state courts, he appealed to the United States Supreme Court, on the ground that the vagueness of the statute denied him his right to be informed of the nature of the charge against him. The

[20] 255 U. S. 81 (1921).

[21] 269 U. S. 385 (1926).

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Court invalidated the statute characterizing it as a convenient "dragnet" with which the state officials could dispose of a person whose conduct was obnoxious to them.[22]

In the case of *Twining v. New Jersey*, referred to above, it was stated that the right to freedom from self-incrimination was not a part of due process. Technically the Court still adheres to this position, although two recent cases have caused some discussion on the point. If freedom from self-incrimination is interpreted to mean simply that one cannot be compelled to testify at his own trial, then the situation is unchanged. If, however, the self-incrimination privilege means also freedom from the use of an extorted confession for purposes of conviction, then due process has been somewhat extended.

The two cases concerned both involve the trial of negroes in southern states, and they differ only in degree rather than in kind. In the first case, *Brown v. Mississippi*,[23] a confession was secured from the prisoner by actual physical torture, and was later used as a basis of conviction. The Supreme Court held that such procedure was an obvious denial of due process. In the second case, the circumstances differed only in that the confession was obtained through what might be termed psychological, rather than physical, torture—that is, repeated and prolonged questioning over a period of days, sometimes kept up all night long. Again the Court held that a conviction secured by such means lacked due process, but in both cases the Court denied that there was any transferal of the Sixth Amendment concept of freedom from self-incrimination.[24]

[22] Herndon v. Lowry, 301 U. S. 242 (1937). This same principle was also invoked in an interesting recent case growing out of a New Jersey statute which made it a criminal offense for one to belong to a gang. The Court held the statutes to be so vague as to be lacking in due process. See Lanzetta v. State of New Jersey, 306 U. S. 451 (1939).

[23] 297 U. S. 278 (1936).

[24] Chambers v. Florida, 309 U. S. 227 (1940). In the recent case of Ashcraft v. Tennessee, 322 U. S. 143 (1944), the Supreme Court held that a confession obtained after prolonged questioning (from early Saturday evening until Monday morning, practically without let-up), with a bright light shining in the eyes of the accused, and with alleged threats from the police, was a "coerced" confession, and that its use violated due process. "It is inconceivable", said Mr. Justice Black, "that any court of justice in the land, conducted as our courts are, open to the

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There has been some discussion as to whether that portion of the Fourth Amendment which forbids unreasonable searches and seizures also applies to the states under due process. It is impossible to give a categorical answer to the question, in view of the fact that there seems to be no precedent directly on the point. Moreover, the authorities differ in regard to it. Professor Rottschaefer says: "The Fourth Amendment does not apply to the states. Nor has it yet been decided that any provision of the federal Constitution accords a person against a state any immunity of the kind that he is accorded against the federal government by that Amendment." [25] Others are just as positive that searches and seizures which the courts find to be unreasonable would be held to be violations of due process, and Mr. Vernon L. Wilkinson thinks that the Supreme Court in a dictum has intimated as much.[26]

Is there any sort of law or rule which emerges from these relatively unrelated cases? At first glance the action of the Court seems wholly arbitrary and unpredictable in deciding whether any portion of the first eight amendments shall be applied to the states, and the Court itself denies that it is specifically transferring such concepts. On closer analysis, only the First Amendment seems to have been transferred *in toto*, and even there differences might be found. (For instance, it is doubtful whether the Supreme Court would interfere with an attempt on the part of a state to establish a particular church, although such action by Congress would be clearly unconstitutional.) Perhaps the best statement in regard to this whole problem is to be found in certain remarks made by Justice Cardozo in the case of *Palko*

public, would permit prosecutors serving in relays to keep a defendant witness under continuous cross-examination for thirty-six hours without rest or sleep in an effort to extract a 'voluntary' confession. Nor can we, consistently with due process of law, hold voluntary a confession where prosecutors do the same thing away from the restraining influences of a public trial in an open court" (p. 154). However, the Court did not say anything about freedom from self-incrimination in the case, and it is also noteworthy that the Court was sharply divided, six to three, and that Justice Jackson wrote a lengthy and vigorous dissenting opinion.

[25] Henry Rottschaefer, *Handbook of American Constitutional Law* (St. Paul, 1939), p. 749.

[26] See *Georgetown Law Journal*, January 1938, p. 447.

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v. Connecticut.[27] In effect the jurist said that under the due process clause the Supreme Court seeks to insure a fair trial or a fair hearing, and the question that confronts the Court whenever a claim is made that a person, on a state trial, has been denied one or more of the specific rights guaranteed in the federal Bill of Rights is whether the right allegedly denied is of so fundamental a nature as to impair the substantial fairness of the trial or hearing. If the right is fundamental, it will be held to be required by due process; otherwise, not.

It may be objected, and with a considerable degree of justice, that such a criterion (if it can, indeed, be called such) adds greatly to the power of the Court. Certainly there seems to be no specific authorization for such a power in the Constitution; but on the other hand, neither does the Constitution provide any information as to the content of due process, which it is up to the Court to interpret. Even some of the members of the Court seem a little uncomfortable at the scope of discretionary power which they must exercise under this theory, as is evidenced by the remarks of Justice Murphy in his dissenting opinion in *Betts v. Brady,* quoted above. And yet the only alternatives would seem to be either to adopt the concept of complete identity between the two clauses, as set forth in *Hurtado v. California,* or to go to the other extreme and accept the contention of the Radical Republicans of Reconstruction days, to the effect that the intent was to transfer the whole federal Bill of Rights to the Fourteenth Amendment as a blanket limitation on the states.

It is sometimes contended that this matter of due process transference is, like Lend-Lease, a two-way affair. Naturally, the possibilities of reverse transfer are not so extensive, since the federal Bill of Rights is a very detailed document. However, there are a few cases in which concepts which are not, under the principle of the *Hurtado* case, a part of state due process are nevertheless apparently, to some degree, read into the Fifth Amendment clause. Perhaps the claim arises most frequently in regard to the equal protection clause, which has no exact counterpart applying to the federal government. Whenever

[27] 302 U. S. 319 (1937).

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Congress classifies persons and applies different rules of conduct to different groups the question of equal protection arises, whether that name is applied or not.

No doubt an extremely arbitrary and unreasonable classification would be held to be a violation of the due process clause; and yet, when the classifications involved in the Social Security Act of 1935 were before the Court, Justice Cardozo pointedly remarked that there was no equal protection clause in the Fourteenth Amendment.[28] On the other hand, one authoritative textbook definitely declares that due process contains the concept of equal protection as a limitation on the federal government.[29] Mr. Vernon Wilkinson merely makes the more cautious statement that " the Court has on occasion intimated that arbitrary classifications contained in a federal act would amount to a deprivation of property without due process of law." [30] And Senator Edmunds, in attacking the 1894 income tax law, declared that in his opinion the principles of the Fourteenth Amendment limited the federal government as fully as they did the states.

The question of transfer has also come up in regard to the clause which forbids a state to impair the obligation of contracts. In the famed case of *Louisville Joint Stock Land Bank v. Radford*,[31] the Frazier-Lemke Act was invalidated partly on the ground that it infringed private contracts. Also in one of the gold clause cases [32] the Supreme Court held that the act whereby Congress changed the terms of its own contract (in regard to paying off Liberty Bonds in gold) was unconstitutional, although the abrogation of the gold clause in private contracts was upheld. In no instance, however, does the Court admit that the contract clause as such applies to the federal government. In every case the question would be whether the legislation denies substantial justice.

[28] See Steward Machine Co. v. Davis, 301 U. S. 548 (1937).

[29] Frederic A. Ogg and P. Orman Ray, *Introduction to American Government* (7th ed. New York and London, 1942), p. 149.

[30] See Wilkinson, *op. cit.*, pp. 453-54.

[31] 295 U. S. 555 (1935).

[32] Perry v. United States, 294 U. S. 330 (1935).

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Great constitutional changes, unless effected by formal amendment, come about very gradually. Although we have a written constitution, nevertheless, as Chief Justice Hughes once said, that constitution is what the judges say it is, and rather like the common law it tends to "broaden down from precedent to precedent". A half-century ago it could have been said quite confidently that neither the specific language nor the general ideas embodied in the federal Bill of Rights limited the states. The Court had been fairly consistent in holding that the due process clause of the Fourteenth Amendment was to be given the same general interpretation as the Fifth Amendment clause. Now, as a result of the series of cases considered above, we see that a great deal of the first ten amendments has been read into the due process clause of the Fourteenth Amendment and that it does, therefore, constitute a specific limitation on the policy of the states. Moreover, although there is much of the Bill of Rights that has not thus far been held to apply to state action, it is reasonable to assume, particularly in the light of certain dissenting opinions, that the process is by no means ended, and that we may see further extensions in years to come. There has also been a certain amount of "reverse Lend-Lease", whereby specific limitations on the states have been read into the Fifth Amendment due process clause as limitations on the national government; although the opportunities for such a process are considerably less extensive. In this process of adjustment the two due process clauses, which are so similarly worded, and which were at first held to have the same meaning, have come to have decidedly varying contents.

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LABOR'S BRIDGEHEAD: THE I. L. O.

"WHEN the chance to remake peace arrives, we must be far more ready than we were at the end of the last war." John G. Winant, on resigning as Director of the International Labor Organization to become Ambassador to Great Britain, in February 1941, put this challenge to the I. L. O. He claimed: "By bringing together representatives of industry, of labor, and of Governments, the Organisation may help to clarify social objectives during the difficult months to come."

In 1919 the establishment of the I. L. O. marked the winning of labor's first international bridgehead. By the part it played during the first World War, labor won its right to participate directly in the international councils of nations. Through the I. L. O. the organized labor movement sought a means of strengthening national policies of social security, trade-union organization, and the recognition of the international significance of fair labor policies. Thus the wage-earners won a landing place from which to engage, at close quarters, the destructive forces raised by competing national labor standards.

Twenty-five years ago this ground was yielded to labor because, under the threat of world anarchy, it could not be withheld. In the inter-war years advances were made in employer-worker collaboration, in the methods of industrial protection, and in laying the basis of social security. Then came the counterattacks of economic depression and fascism. The conception of social objectives, of the needs and rights of peoples, changed. Unemployment under democracy and full employment under totalitarian methods, designed for oppression, taught labor that it must fight for more than merely industrial protection. The peace settlement that will follow the second World War affords a new opportunity. The International Labor Conference of Philadelphia of 1944 secured the approaches to a people's peace and marked the first real advance from

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labor's international bridgehead. How will the I. L. O. play its part in world reconstruction? With victory in Europe under way, how ready are we?

I

The I. L. O. was conceived in 1919 primarily as an instrument to resolve the claims made by industrial workers for the improvement of conditions of work and livelihood in a capitalist economy. It was given a tripartite structure of government, employer and worker representation because its chief rôle was to serve as an international collective bargaining instrument through which workers, employers and governments might work out the social and labor problems threatening international security.

Under the mandate given it by the peace treaties, the I. L.O. has operated for over twenty-five years. The conclusions of its annual conferences gained in authority and in public backing because they were the result of free debate, not only by government delegates but also by representatives of employers and workers. In its own rather narrowly defined field of labor and social policy, the I. L. O. achieved substantial gains in the inter-war years. Sixty-seven Conventions (binding governments by treaty obligation) and sixty-six Recommendations (committing governments to apply their terms as far as possible by national legislation) were adopted by the Conference. This "International Labor Code", as it is sometimes called, deals with such questions, for example, as social insurance, industrial safety precautions, vacations with pay, limitation of hours of work, protection of women and children, conditions of maritime employment, and many of the special problems raised by the development and industrialization of dependent areas.

But, even in this limited field, the success of the I. L. O. has been uneven. As was pointed out at the Philadelphia Conference, the Code is not yet complete. Furthermore, it is not applied everywhere; the I. L. O. has no power to force a nation to accept any part of it. The I. L. O. is not an international legislature. A Convention is only binding on a nation when it has been ratified by the nation concerned. For example, the United States, which became a member of the I. L. O. in 1934,

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has voted for various Conventions at the annual conferences, but, because its federal constitution gives it special problems, the United States has so far only bound itself to apply certain maritime Conventions. These have been ratified by the Senate.

Throughout the inter-war years, an even more significant weakness of the I. L. O. was obvious whenever the Organization sought international economic action to put its social program into effect. Then it found itself frustrated, partly because its position within the framework of the League of Nations did not enable it to influence directly the economic activity considered to be the responsibility of another agency. The relationship between social aims and the economic measures required for their attainment was not adequately provided for in the international machinery set up in 1919.

Labor used its bridgehead in the inter-war years to demand, often in ringing words, that unemployment be controlled and that policies be devised to protect the weaker industrial classes. That this was not enough became evident in the last years before the second World War. Then the I. L. O. debates reflected the evolution of international economic thinking. The spread of depression, the growth of totalitarian economic policies, and the development of the less industrialized areas of the world brought new understanding of the rôle of national economic policies and of the effects on world security of widespread poverty and social unrest. Many of the workers' leaders, some of the employers' leaders, and the representatives of many of the governments began to criticize the place of the I. L. O. in international organization, and to demand that its program be widened to meet the needs of the underdeveloped or agricultural areas which had previously received insufficient attention. Finally, it was realized that the I. L. O. must expand its duties to include not only the needs of industrial workers but the social and economic interests of the community as a whole.

Following the entry of the United States in 1934, the I. L. O. took steps to readjust its work to meet wider needs. It began a series of special conferences, some to deal with problems of certain regions, such as the American Hemisphere, and others with the economic and social policies of particular world-wide

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industries, such as textiles. The Office increased its "service" function to supplement the Conference "legislative" function (the drafting of Conventions and Recommendations) by lending technical experts to governments, by setting up technical committees and by more extensive advisory work on problems such as social security.

All those taking part in international conferences in the thirties knew the need for readjusting international relationships in the social and economic, as well as in the political, field. Differentiation in the membership of the I. L. O. and the League, shifting emphasis from European to world-wide horizons, differing degrees of industrial organization, and the varied effects of economic depression on national social and economic policies were all debated in the annual conferences of the I. L. O.

Though the I. L. O. bridgehead held against the onslaught of fascism in the difficult inter-war years, little more than forays were attempted in the advance toward its social goal.

II

That the I. L. O. survived the outbreak of war is in part because its own special function of labor policy is needed even more in war than in peace. Furthermore, it has been able to serve as an instrument of the democracies. This is not an accident but the result of wise decision. The International Labor Conference which met in Philadelphia in April 1944 was the twenty-sixth session of the General Conference. The twenty-fifth session had been held in Geneva in June of 1939. As late as May of 1940 it had been hoped that the twenty-sixth session would still take place in Geneva in June. On May 3, 1940 the Swiss government wrote to the Director of the I. L. O.: "Having considered the situation created in Switzerland by the convocation of the Labour Conference at the present time, the Federal Council wishes to let you know that in its opinion the discussions should be strictly limited to the questions on the agenda and that any political discussion should be avoided." This meant that, had the Conference met, it could have discussed formal items of social legislation but that it could hardly have dealt with wide issues of social policy or with any of the subjects of real concern at the time. On the night of the 9th

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of May 1940, as the invasion of the Low Countries began, the I. L. O. postponed the conference "until later in the year." It was that postponed meeting which was held in Philadelphia in 1944.

What happened to the I. L. O. in the four-year interval? As its Director at that time, Mr. Winant, stated: "It was my clear duty to avoid all danger that the International Labour Organisation, the repository of the traditions of a world-wide effort at tripartite international co-operation to promote social justice, should become the tool of political forces which would have attempted to use it as a mask for policies of domination rather than as a spearhead of social and economic freedom." Therefore, in agreement with the Canadian government, a new working center was established in Montreal, Canada, in August 1940. The technical work of research, publication and advice to governments was quickly resumed but on a reduced scale made necessary by the reduction of the office staff to one fifth of its former size. The major part of the work was directed to the new social and labor problems raised by war production and to the requests for advice on all phases of labor relations, labor supply problems, social insurance for war workers, et cetera. Meantime, a skeleton staff in the Geneva Office continued as a channel of communication from which to learn of developments in Europe. The London, New Delhi and Chungking branch offices were reinforced. The maintenance of the Organization as an instrument of democracy was assured.

But it is the work of its tripartite agencies, the meetings of employers', workers' and government delegates, which gives vitality to the work of the I. L. O. Lack of meetings has been its greatest wartime handicap. There was no meeting of any of the representative organs from the postponement of the 1940 Conference until October 1941. Then, in the month before Pearl Harbor, the I. L. O. called a special conference in New York. It was thought that the friendly neutrals and those fighting in the Allied cause, the employers deeply concerned in the prosecution of the war, and, even more, the international labor movement should meet together and debate the effects of the war on social policies.

The New York Conference set in general terms a program

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of social reconstruction. Representatives of thirty-five nations adopted a resolution which gave formal recognition to the responsibility of the I. L. O. because it " possesses the confidence of the free peoples and includes in its structure representatives of workers and employers " to take part in the work of reconstruction " in such a way as to minimise misunderstanding and unrest and to promote a stable and enduring peace." The spirit of the Conference was expressed by President Roosevelt at its closing session at the White House: " We have learned too well that social problems and economic problems are not separate watertight compartments in the international any more than in the national sphere. In international as in national affairs, economic policy can no longer be an end in itself. It is merely a means for achieving social objectives."

III

The New York Conference met before Pearl Harbor; before the Declaration of the United Nations; before there was assurance of Allied victory; before U. N. R. R. A., Food and Agriculture, and the other varied new agencies planning for reconstruction had been conceived. It has a double significance, for it served, even more than any formal peacetime meeting of the I. L. O., as a forum where employers and workers, as well as governments, could outline the social policy implicit in their wartime planning, and it called for advance preparation for the post-war period. It was, as the chairman of the Governing Body stated, " an act of faith ".

The International Labor Conference which met in Philadelphia in April of 1944 was something very different. It formed part of the United Nations machinery for roughing out the preliminary terms of the peace settlement. The forty-one nations whose delegates attended the meeting included the British Commonwealth of Nations, the United States, Mexico, the South and Central American nations, the Governments in Exile, the nations of the Near and Middle East, India, China, Sweden and Switzerland. More than two thirds of the delegations were tripartite. Many of the representatives of the trade-union movement had a long tradition with the Organization; some of them were newly escaped from occupied Europe. Others,

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particularly from Latin America, attended the Conference for the first time.

The significance of the Conference was fully recognized by those who took part in its work and by the organs of public opinion of the democracies who gave it warm support. It was also prominently picked out by German propaganda. For example, one German comment was:

> The general trend of opinion in the Anglo-Saxon countries has apparently caused their Governments to counter certain symptoms of social crisis in domestic affairs by a parade of pseudo-social intentions. Behind the stage trappings of a world-wide plan for social security, capitalist interests will then be promoted with all the greater zeal. German quarters are convinced that no real practical work will be done at the Philadelphia Congress and that its final result will in no way correspond to the propaganda effort expended on it.[1]

Another German comment added: "It is nothing but an attempt to gain international public support for a Charter promising the workers everything, which there is no intention of implementing."[2]

The Conference opened under circumstances which were at once a handicap and a challenge. Perhaps the most serious was the absence of the U. S. S. R. In opening the Conference Carter Goodrich, the Chairman of the Governing Body, called attention to its absence from a meeting designed to shape the peace policies of the United Nations in the social and labor field. He said: "We have not ceased to hope that, as one result of the work of this meeting, the Soviet Union may see its way to return to the International Labour Organisation."

An editorial, published in *Izvestia* within a few days after the opening of the meeting, gave an unofficial answer from the Soviet Union. *Izvestia* recognized "the vital importance of ensuring international coöperation in the sphere of labor, social policy, labor legislation, social insurance, etc. for the popular masses", but declared: "The practical work of the I. L. O. shows that this institution, throughout its existence, has never enjoyed

[1] *Deutsches Nachrichten Büro*, April 21, 1944.

[2] *Deutsche Allgemeine Zeitung*, April 22, 1944.

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any particular prestige and, as a result, its work has had very little effect." Then, objecting to the membership in the I. L. O. of Finland, Roumania and Hungary (in fact, Roumania is not a member and Finland and Hungary did not attend the Conference), the editorial said that the I. L. O. should " cease to be an appendage of the League of Nations " and become " an organization of the United Nations which have rallied for the execution of the same tasks in the struggle against the common enemy of democratic countries." Indicating that such action would " remove the obstacles to the participation of representatives of the Soviet Union " in the I. L. O., the editorial concluded that " in the sphere of international coöperation on problems of labor and the improvement of the living conditions of the workers, participation of the Soviet Union—the country in which the working class is in power—is especially important and valuable."

Pre-invasion tension provided another handicap. Transport delays had prevented any immediate pre-conference consultations between the delegates from the Western Hemisphere and the delegates coming from Europe and North Africa. Such consultations would have prepared the Conference both for the absence of the U. S. S. R. and for important differences in the outlook of some of the delegates. There was a sense of " surprise " and even consternation when, in the opening days of the Conference, the British government delegates suggested that, under the circumstances, the Conference debates should not lead to final action " at this Conference ", but be of a preliminary character and merely lead to the framing of general " guiding principles ". An additional " surprise " was the criticism, expressed by the spokesmen of occupied countries, that many of the suggestions on economic and social measures for the transition from a war to a peace economy would seem to be quite irrelevant, in the immediate post-war period, to countries in need of complete reconstruction. While endorsing the social ideals expressed in these suggestions they pointed to the tremendous task of physical and moral reconstruction to be achieved before the peoples of Europe " can efface the marks of the tragedy that has weighed them down through these years of hardship."

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IV

Thus the Conference had to meet the challenge of its friends as well as the taunts of its enemies, and although, as was only natural after four years of disuse, the machinery creaked a little at first, three weeks of close and often lively debate produced results the importance of which must be plain to friends and enemies alike.

No one had questioned the importance of continuing the work of international social and labor legislation, nor the appropriateness of the I. L. O. structure for this purpose. Here the Conference, with the nearest approach to its tested pre-war technique that wartime circumstances allowed, resumed its semi-legislative function by adopting formal recommendations on three subjects: the organization of employment in the transition from war to peace; social security problems arising out of the war; and minimum standards of social policy in dependent territories. These cover some of the urgent issues that will arise at the close of hostilities.

What will be the scope and character of the problem of reëmployment in the transition period? How should demobilization be organized and the equipment be utilized so that re-employment and retraining will be provided for the millions of men and women now in the armed forces and in war industry? Technical answers to these questions were worked out by a large tripartite Committee of the Conference. The Recommendations drawn up are significant for their promise that the groundwork is being well laid and that there will be jobs planned when the war ends. This is the first step in the battle for freedom from want. George Tomlinson, the government delegate from Great Britain, and Parliamentary Secretary to the Ministry of Labour, in voting for the Recommendations, called the proposals adopted " practical and realistic ", adding, " we should dedicate our lives to the carrying out of them, each in our own particular sphere."

But employment organization must be supplemented by adequate social security. Men must seek employment without fear that any delay or fumbling will endanger their dependents or their own ultimate security. A second Conference Commit-

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tee took the next step forward in the fight for freedom from want and from fear, by preparing a program of social security. A Recommendation concerning the armed forces was unanimously adopted since none doubted their right to find themselves, on discharge, as fully insured as if they had been working during the war. A second Recommendation, aiming at income security for all through adequate benefits for those unable to work or find work, was adopted by the Conference. But on this the British government insisted that it could not take a final decision that year, although the text received favorable votes from all the workers, most of the government delegates and many employers, especially those from occupied Europe. There was greater opposition to a third Recommendation which provides for free medical care. Although it was finally adopted by a large majority of the Conference, opposition included the government delegates of a number of Powers.

The application of the Four Freedoms to dependent peoples was affirmed by the work of the Conference Committee on Dependent Territories. The significance of the Recommendation on minimum standards of social policy for dependent peoples was described by the Belgian government delegate who presented it to the Conference as likely to raise the standard of living and to increase the purchasing power of 250 million persons. The text is of general as well as technical importance. It states that all policies designed to apply to dependent territories "shall be primarily directed to the well-being and development of such territories and to the promotion of the desire on their part for social progress." It provides for the association of the peoples of the dependent territories "in the framing and execution of measures of social progress preferably through their own elected representatives, where appropriate and possible," and emphasizes that "the improvement of standards of living shall be regarded as the principal objective in the planning of economic development." In application of these principles the Recommendation contains a code of minimum social obligations, which, if applied by the nations responsible for dependent territories, may be a bridgehead in the campaign against economic and social exploitation of subject peoples.

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V

Employment organization, social security, and social standards for dependent peoples all form part of the customary duties of the I. L. O. The texts accepted must, in the months ahead, be seriously considered by the national authorities of the various states. It will be up to the Conference delegates, and, in particular, to the workers, to press governments to apply the recommendations. Their practical value will depend on what is made of them.

The most striking innovation at Philadelphia was the discussion of United Nations present and post-war economic and social policies. Here the tripartite structure of the I. L. O. was most severely tested. Under this heading the Conference formulated social and labor provisions for inclusion in the general or special treaties that constitute the peace settlement.

Two important clashes of opinion gave a preview of difficulties to be overcome in various international meetings preparing for the peace. The first concerns the treatment of German workers; the second concerns the possibility of an international agreement on employment. Both have been issues at the San Francisco meeting of the United Nations.

The attempt to define the social and labor policies to be followed by authorities of the United Nations administering Axis territory showed a wide divergence in view. All agreed that free trade unions must be restored in order to rebuild democratic organization in Germany, and that the whole existing German labor administration must be purged of Nazis. But here agreement ended. Some, like Robert J. Watt, delegate of the United States workers, and J. H. Oldenbroeck, delegate of the Dutch workers, are convinced that the workers as a whole must be assisted to learn—or relearn—democratic ways and reconstruct democratic institutions. They believe that an adequate social policy is an essential condition for such reconstruction. They desired, therefore, that the Conference should make recommendations to the United Nations on this matter. Others, like Sir Walter Citrine of the British Trades Union Congress, feel that purging and rebuilding are not enough — that all Germans, including the workers, must first feel the

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measure of suffering that the Nazi leaders have inflicted on workers fighting Germany and on the workers of occupied Europe. Only then should standards of policy for their protection be defined. It was clear that the whole problem of the post-war treatment of German workers needs closer examination than could be given to it in the period of the Conference. By common consent, decision was postponed. The related issue of aid and restitution to the foreign workers forced to slave for the German war machine aroused full sympathy and understanding; consequently a resolution was adopted outlining measures for their protection, particularly in the field of social security.

What are the domestic and international economic measures that must be pursued to achieve full employment? This was probably the most thoroughly debated issue in the Conference. Miss Frances Perkins, in declaring the policy of the United States government, stated: "The United Nations should agree in principle that the maintenance within each nation of high levels of employment and national income is a matter of international concern." The Australian government went further and called for an international agreement which would oblige governments to carry out domestic policies to maintain high levels of employment; the Australian government considered such an agreement a prerequisite to the discussion of other aspects of international economic coöperation. Many governments, including the United States and Great Britain, were not willing, however, at the Philadelphia Conference, and in advance of other conferences under other auspices (such as the Bretton Woods Monetary Conference), to enter into international undertakings concerning domestic policies of employment. These two views could not be fully reconciled. The same problem arose at Bretton Woods; the conflicts will doubtless arise again at future meetings. The Philadelphia Conference, however, reached a compromise of unusual significance. For the first time, nations agreed to acknowledge, in a general treaty to be included in the peace settlement, that it is their duty to maintain high levels of employment by domestic policies, in coördination with international economic policies.

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The Conference recommended a whole series of economic measures dealing with the maintenance of high levels of employment, and including labor mobility and controlled migration, the increase of trade and investment, and support for monetary policies and economic organizations which would contribute to increased production and consumption everywhere. Thus it hoped to achieve "full employment and the raising of standards of living." It was emphasized that all economic policies must be directed to attain social objectives.

As the peace settlement may be a continuing process, including many kinds of international agreements, the Conference both enumerated specific labor provisions, and appointed representatives of the I. L. O. to keep in close touch with those responsible for peace making. A first specific result was the presence of an I. L. O. delegation composed of a tripartite representation of the Governing Body and two members of the Office staff at the San Francisco Conference of the United Nations on International Organization to be available for consultation on matters of particular concern to the I. L. O. that might arise in the course of the Conference.

VI

But perhaps of greatest long-term significance was the opportunity given by the Conference to criticize, evaluate and remodel the Organization itself. "Poverty anywhere constitutes a danger to prosperity everywhere." This statement forms part of the *Declaration of the Aims and Purposes of the International Labour Organisation* — christened by the daily press "The Philadelphia Charter". The Charter reaffirms the fundamental principles on which the I. L. O. was created, "that peace can be established only if it is based on social justice." It adds that "all human beings, irrespective of race, creed, or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity."

Jamnadas Mehta, workers' delegate from India, described the Declaration as "a happy blending of the Four Freedoms of President Roosevelt, of the main articles of the Atlantic Charter,

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of the decisions of the New York Conference of 1941 and the hard-learned lessons of the depression period between the two wars", reflecting "the determination and the resolution of the working class of the world, as also of the statesmen of different nations."

The Declaration does more than restate the initial objectives of the I. L. O. in modern and wider terms; it authorizes the I. L. O. "to further" a program of national and international measures which must be followed to achieve the social objectives of economic policy. First in this program it places the concept underlying all the debates of the Conference, "full employment and the raising of standards of living." General measures to implement this concept are called for in the Declaration while more specific measures are outlined in the special resolution on economic policies, mentioned above. In calling attention to the international economic policies required for the extension of social progress, the Conference pledged the coöperation of the I. L. O. "with such international bodies as may be entrusted with a share of the responsibility for this great task and for the promotion of the health, education and well-being of all peoples."

President Roosevelt told the Conference:

> "Your Declaration sums up the aspirations of an epoch which has known two world wars. I confidently believe that future generations will look back upon it as a landmark in world thinking. I am glad to have this opportunity of endorsing its specific terms on behalf of the United States. I trust, also, that within a short time its specific terms will be wholeheartedly endorsed by all of the United Nations. . . . The United Nations will be determined that all the oppressed of the earth shall be included in these social objectives."

VII

The entire work of the Philadelphia Conference raises the fundamental problem of how the I. L. O. should meet new responsibilities and fit in with the changing pattern of international relationships, and serve the wider concept of promoting the social aims of the community. Out of the criticisms of the I. L. O. operation some specific trends emerge.

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First, the machinery itself must be diversified to enable the I. L. O. to deal more thoroughly with the wider range of problems now confided to it and must be strengthened so that the I. L. O. may verify the application of international decisions through processes of inspection. Thus, there will have to be developed greater regionalism — regional conferences for Asia and the Near and Middle East as well as for Latin America, and regional working centers for the Office itself. Industrial committees are to be set up to deal with the social and economic problems of many of the major world-wide industries such as coal, iron and steel, transport, and textiles. International commissions of inspection will be needed to investigate on the spot the application of the conventions and recommendations accepted by governments in International Labor Conferences.

Second, it was clear from the Conference debates that there is still lack of clarity regarding the scope of the work of the I. L. O. One view expressed was that there must be no assumption by the I. L. O. of responsibility beyond the technical competence of the delegates who, under its tripartite structure, take part in its debates. Some delegates warned that the Conference must not go too far in extending responsibilities. In defending this view, Robert J. Watt, the United States workers' delegate, added: "We must avoid making everyone's business our concern. If our efforts are spread over too wide an area of interest, our activities would be likely to become quite remote." Others expressed concern that the extension of work would not in fact be far enough. Thus W. R. Skeeles, employers' delegate from South Africa, claimed:

> [failure came to] the I.L.O. . . . because the scope of the I.L.O. was restricted to such a limit that it could not possibly function to the extent demanded by the needs of humanity . . . it is essential that the I.L.O. should be the watchdog of the international financing which does not mean indeed that the I.L.O. should control international finance; but it means that it should carefully scrutinise every measure for control of international finance, and do it from the point of view of an institution whose purpose it is to serve humanity to achieve full employment and to increase the standard of living in every country. I consider that the I.L.O. is ideally constituted to serve that task.

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The Office had proposed that the I. L. O. " scrutinise " all international economic and financial policies and measures in the light of social objectives. Although the Conference in its *Declaration of the Aims and Purposes of the I. L. O.* unanimously "affirmed the responsibility of the International Labour Organisation to examine and consider all international economic and financial policies and measures ", differences of view may still exist as to the implications of the I. L.O.'s increased responsibilities. It is therefore probable that the rôle of the I.L.O. in the economic field will come up again in future discussions—both in I. L. O. meetings and elsewhere.

Third, the Conference rejected all implications that the I. L. O.'s constitutional structure should be altered. Although the competence of the Organization has sometimes been limited by the technical capacity of the delegates, its strength stems from the same tripartite structure which enables employers and workers to mobilize public opinion in support of commitments they have helped to frame. It has been suggested that a change in the constitution of the I. L. O. might make it more effective. On the premise that an intergovernmental meeting could take decisions that would be more binding on governments than those of a tripartite meeting, it was proposed that " the status of the I. L. O. must be at the intergovernmental level." A somewhat different approach was to limit, rather than to extend, " the competence of the Organisation to those matters which are of special importance and direct relation to the sections of the national committees—employers and workers—represented in it." Some of the suggestions were curiously reminiscent of the Peace Conference debates of 1919. If accepted, they might have meant retrogression and a loss of much that the I. L. O. has won during the inter-war years. The effect, however, was to the contrary: the warm defense of the tripartite system that they aroused from all three groups strongly reaffirmed the unique basis of the I. L. O.; the threat to the international tripartite system put labor, and also employers, on guard against assaults upon their right to participate directly in international or national post-war planning.

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Finally, out of the Conference discussions came a clearer understanding of both the function of the I. L. O. and its place in the emerging pattern of general international organization. There seems to be agreement that while the I. L. O. must be autonomous, subject to the financial and administrative control of its own Governing Body, it cannot be isolated from the other international agencies having special tasks, such as Food and Agriculture, or from the agencies being made responsible for certain regions. Thus, for example, it was represented at the Bretton Woods Monetary Conference. More significantly, the I. L. O. must come within the framework of the general international, political and economic organization that may be established. It was in part to permit this adjustment and in part to place I. L. O. experience at the disposal of the Conference that a tripartite committee of the Governing Body has been attending the San Francisco Conference. The I. L. O.'s own Conference will meet in the autumn in Paris. At it, it should be possible to demarcate the work for which the I. L. O. is most fitted and the economic and social functions of the new institutions, to lay the foundations of coöperation between them and thereby to advance the bridgehead of labor's share in official international policy and administration.

As Paul van Zeeland, government delegate and former Prime Minister of Belgium, stated:

> There is no question of making the I.L.O. leave its proper field nor of loading it with duties which it would be unable to perform. The I.L.O. is competent in the social field, but it must take into account actions and reactions in other fields, particularly in the economic field. . . . In the past the I.L.O. has always held a special and an eminent place. This will be the case tomorrow, even more than it was in the past, because the purpose of the Organisation—the improvement of the conditions of life of the masses—is close to the final purpose of human activity; fulfilment in the greatest possible measure of the physical and spiritual aspirations of mankind.

CAROL RIEGELMAN

MONTREAL, CANADA

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FINANCING SOCIAL SECURITY

THERE are two aspects to the problem of financing social security benefits. One relates to the sources of the funds necessary to provide the cost of the benefits. The other aspect of the problem is the time relationship of the cost, which is provided out of taxes, to benefits. Should benefits absorb taxes from the inception of the social security plan so that the time relationship is concurrent, or should taxes be almost entirely accumulated against payment of the benefits in future years?

The first phase of the problem—distribution of cost—has been the source of less discussion and controversy than has the second phase of the problem. It seems to be generally agreed that the cost should be shared by employer and employee with contributions from government funds, which are, of course, provided from general taxation. Under our present Social Security Law the contributions of the employer and the employee are the same; under the proposed British plans (that is, the Beveridge Plan and the British Government's White Paper)[1] the employee's contribution is a little greater than that of the employer. In the United States the contribution of the government covers grants to states for benefits under several phases of the Social Security Act, notably old-age assistance, aid to dependent children, aid to the blind, and administration of unemployment insurance, public health work, and various maternal and child health and welfare services. The two British proposals—Beveridge and White Paper—set the government's share at about 50 per cent and 54 per cent respectively of the total cost for all benefits at

[1] Sir William Beveridge, *Social Insurance and Allied Services* (1942); and *Great Britain: Ministry of Reconstruction, Social Insurance* (1944); American editions published by the Macmillian Company, New York.

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the inauguration of the plan, increasing to about 60 per cent and 64 per cent respectively twenty years later.

The second phase of the problem of financing centers in the time relationship of costs to benefits where deferred benefits, namely, old-age, death and permanent total disability, are considered. The portion of the population which is able to pay for these benefits, particularly old-age retirement income, generally will not receive them for many years. That other portion of the population, which needs the benefits now since it is not working, is for that reason unable to pay for them. Is there to be a transfer from the former to the latter group without respect to whether contributions (through social security taxes) have been made or not, but solely on the basis of inability to work, benefits being determined by family status, number of dependents, and so on? Or should an individual's qualifications for benefits include contributions to the cost (that is, payment of social security taxes)? In the former case benefits and costs are timed concurrently; the working generations supply the costs for the benefits to the nonworking generations. In the latter case the working population attempts to provide for itself by setting aside funds for future benefits. The core of the perennial discussions in Congress regarding the freezing of social security taxes is the question of the tax-benefit (or cost-benefit) relationship in old-age and survivors (that is, death) benefits. These are, of course, for a working individual the longest deferred of all social security benefits.

To arrive at a basis for financing these deferred benefits, it is proposed to examine first the nature of social security. Having in this way established in some definitive form the nature of the social security contract, we can then consider the relation of costs and benefits and, finally, a suggestion for financing social security which embodies a mode of presentation to legislatures and the public.

The Nature of Social Security

What are the axioms or postulates of this system of insurance? What does it try to do? Sir William Beveridge states, in

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presenting his plan, that it "is a scheme of social insurance against interruption and destruction of earning power and for special expenditure arising at birth, marriage or death." [2] The Social Security Board has declared that its proposals for extension of social insurance "envisage the ultimate attainment of a unified social security program which will sustain individual initiative on the part of American workers and their families providing a bulwark against all major risks to those whose livelihood depends on work." [3] We may assume that social security, at least in England and in the United States, has developed to the point where it is concerned with maintaining through distribution of goods and services a basic predefined standard of living for society at large. Other quotations to support this point of view can easily be found and have no doubt been encountered by the reader.

There is one source which should, however, be examined because it points up the anomaly between the concept of social security on one hand and, on the other, the translation of principles into the concrete terms of a social security program. This anomaly appears in much that is written on the subject and, more specifically, in social security legislation in this country. The International Labor Office at its session in May 1944 stated certain principles and adopted certain proposals regarding social security.[4] This was done "in view of the prominence given to social security as a post-war objective in the Atlantic Charter and by an increasing number of Members [of the I. L. O.] individually." Furthermore,

> Taking account of the tendency, now manifest in social security planning, to bring together in a single scheme all provisions for assuring maintenance in case of inability to work or to obtain work, and to extend these provisions to all workers, whether employed or self-employed, and whether urban or rural, a comprehensive text has been prepared which embodies the essential

[2] Beveridge Report, par. 17.

[3] *Seventh Annual Report* (1942), p. 23.

[4] *Social Security: Principles, and Problems Arising out of the War*, Part 1: *Principles* (Montreal, 1944), Preface, pp. iii and iv.

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principles already established in international regulations, but amplifies and co-ordinates them.

The recommendations themselves point out that " the Atlantic Charter contemplates ' the fullest collaboration between all nations in the economic field with the object of securing for all improved labour standards, economic advancement and social security '." Four *general* principles are then suggested for application " as rapidly as national conditions allow." [5] The first of these reads: " Income security schemes should relieve want and prevent destitution by restoring, up to a certain level, income which is lost by reason of inability to work or to obtain work or by reason of the death of a breadwinner."

Thus far there is unquestionably general agreement on what appear to be the principles or postulates of social security. However, in examining general principles 2, 3 and 4 of the four referred to above, a decided break with these basic ideas as translated into practical terms becomes apparent. The second principle is: " Income security should be organized as far as possible on the basis of social insurance, whereby insured persons fulfilling prescribed qualifying conditions are entitled, in consideration of the contributions they have paid into a benefit fund, to benefits payable at rates and in contingencies defined by law." Although principle No. 1 is unequivocal in its declaration of social security for all, principle No. 2 sets up " qualifying conditions " which for the overaged unemployed section of the population are manifestly impossible to meet. The time relation between costs (that is, taxes) and benefits in principle No. 1 is concomitant. In principle No. 2 benefits are delayed for a generation of workers until that generation has paid the prescribed share of the cost " at rates and in contingencies defined by law." This is not to say that individual beneficiaries are required to pay the full cost for the benefits received. In our own Social Security Law, which corresponds to the pattern for social security described by the four general principles of the I.L.O., the older portions of the " covered " population receive benefits many

[5] *Ibid.*, pp. 40, 41.

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times more valuable than can be provided by their contributions.[6] Principle No. 2, although it departs from the tax-benefit time relationship defined by principle No. 1, nevertheless cannot do so completely. The reason is that it is necessary to set a minimum for the amount of pension and other benefits; and the older covered employees are unable to pay their way, in many cases by a substantial margin. Therefore, older people who just get in under the definition of "fully insured status", as members of the "covered" population, receive benefits far greater than costs paid. Those who just miss being covered receive no insurance benefits.[7]

The third general principle states: "Provision for needs not covered by social insurance should be met by social assistance, and certain categories, particularly dependent children and needy invalids, aged persons and widows, should be entitled to allowances at rates fixed according to a prescribed scale." This should be considered in connection with the fourth principle, namely: "Social assistance appropriate to the needs of the case

[6] The eligibility requirements for old-age and survivors insurance benefits are such as to exclude practically all persons 65 or over and a very high proportion of those just under 65. That is to say there are excluded by reason of *present* old age some eight to nine million persons. (According to Bureau of Census Report, *Vital Statistics of the U. S. 1942 Pt. 1 Department of Commerce*, p. 33, there were 9.0 million persons 65 and over in 1940.) However, the relation of benefits to contributions is much greater for the older section of the *covered* portion of the population than for the younger groups. See in this connection G. E. Immerwahr's discussion of the author's paper in *Record of the American Institute of Actuaries, November, 1944*, where he calculates that the oldest members of covered employees contributed only about one-twentieth of the cost of their old-age social security benefits. See also A. J. Altmeyer's testimony before the Senate Committee on Finance, October 14, 1943, where he states that "a married man might be entitled to $66 per month or 33 times the value of his own contributions. . . . At the present rate the insurance contributions which [aged persons] . . . will pay during the entire war will be returned to them completely in the first month or two that they draw benefits when they retire after the war." Although this is presented as a basis for increasing the social security tax rate, it is obvious that even with a doubling or trebling of the tax the benefit is many times the contribution for the oldest group of covered employees.

[7] Although emphasis is laid on benefits to the overage population because of its size, there are other groups of beneficiaries such as widows with dependent children who, by modern social security concepts, should be covered regardless of whether or not the deceased wage-earner contributed to the scheme.

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should be provided for other persons in want." Thus the income security of the overaged and other groups, not " covered " and unable to work, is provided for by " assistance " on a needs basis. It seems hardly necessary to add that a system which involves proving a need for financial aid—that is the basis of the " needs test "—is not in accord with social security's basic principle which stipulates that stated benefits be paid to the individual as a right.[8]

This apparent contradiction between social security philosophy and its translation into practice seems to arise in part at least from the attempt to express the broad present-day social security idea of a " minimum standard for all " in terms of actuarial and financial methods developed from earlier forms of social insurance. For benefits relating to contingencies arising during the working lifetime of the individual—such as unemployment, sickness, accident and the like, which are interruptions, not terminations, of working lifetime—the financing is obviously on the so-called current-cost basis. This basis, which is essentially budgetary, covers the cost of benefits by current tripartite contributions (that is, employee and employer taxes, and government through general taxes). The term current is taken in a broad sense. The equivalence of taxes and benefits is established on a long-range basis over a period of years depending on trends of experience for the contingencies covered and on economic and other relevant factors. Contingency reserves accumulated in years with favorable experience (such as during the war years for unemployment) help meet deficits in the poor years. As pointed out, however, the major problem of financing occurs in the long-range deferred benefits payable after working lifetime has definitely ceased, that is, at permanent total disability, death, or old-age retirement. It is in connection with these three contingencies that the anomaly between social secu-

[8] An article in the *Social Security Bulletin* (Federal Security Agency, Washington, D. C.) for November 1944, entitled " Public Assistance Goals: Recommendations of the Social Security Board ", indicates the basis on which old-age and other assistance is administered by the states, and by means of its modest recommendations for improved administration shows indirectly how inadequate and humiliating is the assistance for our present old-age unemployed population.

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rity philosophy and its translation into financial terms is most marked.

The earlier forms of social security which arose in Europe from 1880 to 1930 had no such object as is stated in broad and definite terms by the Atlantic Charter and by leading proponents of present-day social security. These earlier plans were generally schemes covering old-age pension and other benefits to the working population; and such benefits were provided almost entirely out of accumulations of contributions of workers and their employers.[9] The financial rôle of the state was

> conceived under different aspects, ranging from one to the other of two extremes. At one extreme, for example, the state may be called upon to provide a full and direct guarantee of the financial equilibrium of the insurance scheme. . . . Preference is usually given, however, to the other extreme, based on the idea of self-sufficiency in social insurance, according to which the insurance budget is drawn up separately from the national budget, though this does not necessarily prevent the inclusion in the latter of subsidies (from the state), fixed in advance, for the benefit of the insurance scheme . . . in considering the financial problems of social insurance it is nearly always desirable to assume conditions of self-sufficiency—that is to say, to take each institution or each scheme as a separate accounting unit.[10]

The perspective in the earlier schemes was directed toward the fund in balance. The emphasis was on the financial equilibrium of the scheme. Although the actuarial techniques differed in some respects from private life insurance, the over-all financial objective was closely analogous and might be translated in accounting terms into an attempt to present a balance sheet of assets (that is, accumulated reserve funds) equal to liabilities.[11]

[9] L. Féraud, *Actuarial Technique and Financial Organization of Social Insurance* (Geneva, 1940), especially pp. 1-45.

[10] *Ibid.*, pp. 15 and 16.

[11] In the reference cited, British insurance analysis is used whereby the difference between the probable present values of the *liabilities* and *expectations* of the social insurance scheme is offset by the *resources* of the scheme. *Liabilities* mean benefits and administration expenses; *expectations* mean contributions from employee, employer and the state; and *resources* cover accumulated funds (i. e., assets) of the scheme at the time the balance is made.

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When this method of financing is applied, it involves something very similar to the full reserve financing of private life insurance. Thus, as is the case with our Social Security Law, if only the working population existing at the inception of the scheme is insured for old-age and death benefits,[12] income will exceed outgo for many years. This will be true even if present contributions (that is, taxes) are far from adequate to achieve financial equilibrium through the setting-up of full reserves. The Social Security Board believes that old-age and survivors insurance should be a self-sustaining, closed system with respect to the working population covered by the benefits.[13] The method of financing has not kept pace with the delineation of social security in its broad present-day terms, but apparently has grown out of earlier forms of social security financing.

These earlier forms, which during the last fifty years or more were developed parallel to the great growth of private life and pension insurance, received their financial inspiration from the methods of the private companies. Whether these methods were

[12] The original Social Security Act in 1935 provided for small single sum death benefits. The amendments in 1939 introduced survivors insurance and the program became known as Old-Age and Survivors Insurance (OASI). Insurance is paid as an annuity income to beneficiaries; when expressed as a single sum it amounts to "between $3,000 to $10,000 for most families (and as high as $15,000 for some families)", according to A. J. Altmeyer, Chairman of the Social Security Board, in his statement before the Senate Committee on Finance, October 14, 1943.

[13] The *Fourth Annual (1944) Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance Trust Fund* states (p. 29) "The board of trustees has repeatedly emphasized in its annual reports that the primary consideration with respect to the size of the trust fund is its adequacy to assure the financial integrity of the old-age and survivors insurance program. . . . It is estimated that the level premium cost of the benefits now provided by the system is between 4 and 7 per cent of the covered pay roll. This means that if pay-roll taxes of this magnitude (employer tax and employee taxes combined) had been levied from the beginning, and were continued indefinitely, the system as a whole would be just self-supporting." See also A. J. Altmeyer's statement before the Senate Committee referred to above: "I should also like to say that while certain arguments by analogy with private insurance can be made in support of the scheduled tax increase, I do not intend to discuss these today since such discussion opens up the debatable question of the similarity and contrast between private and social insurance. In passing it may be noted, however, that already the total liability which has accrued for the payment of insurance benefits is several times in excess of the amount in the existing trust fund."

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altogether suited to the earlier forms is not a subject for discussion here, but the references made to private insurance methods in note 13 are of interest. *Level premium cost* refers to *equivalent* or *level* payments over a period of time by an individual or group, for a benefit of *increasing* value. A life insurance policy with equal annual premiums is an example. For a group of lives insured for death and old-age benefits, the excess of contributions over benefits in the early years (when fewer claims are paid) and interest accretions make up the reserves. These reserves are available, together with contributions and interest in the later years, to meet the increasing benefit payments. This system obviously involves a deferred time relationship of costs and benefits. By increasing present taxes in order to meet future obligations for covered employees,[14] while excluding from benefits the present overaged population, an even more marked deferred time relationship between taxes and benefits would exist in the Social Security Law.

Because of their general interest and the application of their provisions to this problem, the Beveridge Plan and the subsequent British Government White Paper on social security merit consideration. Each of these plans attempts to carry out the general social security principles in applying a concomitant time relationship between costs and benefits.[15] This can be ascertained without going into an extended analysis of the plans themselves. Since there is no requirement with respect to previous covered employment, in order to receive benefits, the older section of the population is not disqualified by reason of having been born too soon. The balance between income (that is, costs) and expenditure (that is, benefits) which produces a con-

[14] The Social Security Board has advocated extension of the covered population to include other types of workers, such as agricultural and domestic, and extension of benefits. However, this does not include the portion of the population which is now unable to work by reason of old age or permanent total invalidity nor does it include dependents of workers not covered by OASI benefits.

[15] The Beveridge Plan involves a small element of deferment in old-age benefits where it pays 25*s*. to a married couple and 14*s*. to a single person weekly in the first year of the plan, increasing gradually to 40*s*. and 24*s*. respectively after the plan has been in effect twenty years. The government plan levels these benefits off at 35*s*. for a married couple and 20*s*. for a single person throughout.

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comitant cost-benefit time relationship is shown by the following schedule: [16]

	1945		1955		1965	
Income from:—	B	G	B	G	B	G
Employees, employers, and self-employed	331	283	331	280	324	275
Interest on existing funds[17]	15	15	15	15	15	15
Balance from Exchequer to meet total expenditures	351	352	418	436	519	506
Total income equal to total expenditures	697	650	764	731	858	796

B—Beveridge Plan
G—Government White Paper Plan
Figures in £ millions assuming adoption of scheme in 1945.

The balance sheets in the two plans are similar. They indicate clearly, with respect to the relationship of contributions and benefits, how the social security contract is written.[18] With regard to the former, Beveridge states: "First, the flat rate of contribution required for the purposes which should be contributory is about as high as it seems right to propose; flat insurance contributions are either a poll-tax or a tax on employment, justifiable up to certain limits, but not capable of indefinite ex-

[16] London *Economist*, September 30, 1944, p. 441, and Beveridge, *Social Insurance and Allied Services*, pp. 199, 206.

[17] The interest of £15 millions is earned on the assets of the present social insurance schemes (health, pensions and unemployment), amounting to about £550 millions (Beveridge Report, pp. 205-6) which are taken over by the new plan. Whether these assets are maintained intact, as shown, or used to meet expenditures, the concomitant cost-benefit time relationship exists.

[18] The Actuary's Memorandum, appearing on pages 173 to 210 of the Beveridge Report, includes a calculation in establishing an "actuarial premium" which equates the present value of future contributions of an employee at the youngest age, 16, to the present value of certain portions of benefits to be received. Other calculations appear in this memorandum to show the value of various benefits to the individual. However, the fact remains that contributions were fixed at about what the traffic would bear and benefits at a subsistence level. This, and not calculations showing that on certain actuarial assumptions a portion of the former can be equated to a portion of the latter, is the essence of the financial relationship between costs and benefits in this scheme.

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pansion." An analysis of living costs set forth in some detail in the Report leads to a determination of the level of benefits at about subsistence for all the population.[19]

Relation of Costs and Benefits

The social security contract having been defined as a basic guarantee to all individuals of a predefined minimum level of economic existence, the relation of costs (income) and benefits (expenditures) should be such as to give effect to that contract. The attempt to follow the main pattern of earlier social insurance financing (which was not based on the broad fundamental economic guarantees of the present-day social security concept) was predestined to end in a contradiction between purpose and method.[20]

The present social security tax is much more than enough to meet current outlay;[21] but it is not enough to provide the greatly increased outlays of the future. The perennial Congressional tax-freeze dilemma is whether or not to increase the social security tax rate in order to build up a trust fund sufficient, together with future taxes, to meet future obligations.[22]

If old-age benefits were extended to the population now too old to work, expenditures would, of course, be greatly increased and—even on a modest basis—would exceed present (or proposed) tax receipts from the working population.[23] Yet such a

[19] Beveridge Report, pars. 415, 193-232.

[20] This does not mean that earlier methods have no value to us at present. There are, of course, large areas in which these earlier methods are useful and instructive, both in analyses involving actuarial, demographic and economic data and in administrative and control problems.

[21] Assets in the old-age and survivors insurance trust fund have increased at the rate of about one billion dollars each year for the three years ending September 1944, the trust fund standing at about $5.4 billions at that time. *Social Security Bulletin*, November 1944.

[22] The extension of OASI coverage to other sections of the working population, as has been proposed, will not alter this problem—it will simply increase the amounts involved.

[23] About 9 million persons were age 65 and over in 1940. Assuming annual benefits of $400 per individual gives $3.6 billions annually. The present social security tax of 2 per cent (1 per cent each from employee and employer) gives

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course seems clearly called for by the social security contract. Otherwise, the economic implications of providing a floor of financial well-being through social security will be obscured, if not altogether lost sight of. The two British plans gear social security taxes and benefits to ability to pay and minimum economic needs, respectively. Once the principle and aims of social security, together with the implied concomitant time relationship of taxes and benefits, are accepted,[24] financing becomes the expression in monetary terms of a transfer of goods and services from the working portion of the population to that portion of the population which is unable to work. We may (and no doubt will with good reason) define costs and benefits at different levels than are used in other countries, but the economic (and financial) equation of transfer of goods and services will be of the same general character. The quantities making up the equation will no doubt change in the future, in accord with economic conditions and the extent of the ability and desire of the working population to provide for the nonworking population.

A necessary result of this suggested treatment would be a balance sheet similar to that shown above for the two British plans. The trust fund, with its orientation toward the financial equilibrium of earlier plans, would disappear. In its place there would be a contingency reserve, in which whatever income there was in excess of expenditures in good years could be used to tide over the less favorable years when expenditures were greater than income.

about $1.3 billions annually (*Social Security Bulletin*, November 1944, p. 60). Increasing taxes to 6 per cent would give about enough to cover present benefit payments and administration expenses and pay the benefits indicated to all over 65. Actually the number of people above 65 is constantly increasing (*4th Annual Report OASI Trust Fund*, p. 19), and as time goes on many of those added to this group will have been originally in the present covered insured population. There are other factors which affect the estimate of disbursements, but they are comparatively minor and the approximate calculation given here is sufficient to support the general statement made in the text.

[24] Here and throughout this paper, the social security guarantee of an economic minimum, once defined, is taken as the basis of the development of financing methods. *There is no question of the desirability of social security per se.*

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There has been a good deal of discussion concerning the trust fund: first, whether the government could properly accumulate assets in that fund and, second, whether such assets, consisting entirely of government securities, would provide an effective guarantee for the future. It is not the purpose here to discuss these questions, since (1) the problem is nonexistent under our definition of a modern social security system, and (2) the extent to which reserves themselves constitute a guarantee of government action is not being considered.

Suggested Financing for Social Security

A system of social security which frankly recognizes the present needs of the population, in accordance with the basic principles and aims of social security, would give rise to a concomitant time relationship between taxes and benefits. This would, of course, mean a revision of the Social Security Law. Benefits would be payable as a right to all who qualify on the basis of family or unemployed status, subject, of course, to proper administrative controls.[25] The extent of the ability and of the desire of the producers in the nation to support nonproducers is expressed by the level of taxation adopted. This does not mean that taxes and benefits will vary from year to year. Obviously the concept of social security arises from basic economic factors and the social desires of a nation representing long-range development in the political personality of the nation.

[25] Generally speaking, the beneficiaries would be the same classes as those now covered by the Social Security Law except that benefits would not be related to previous covered employment. Benefits rather would form a floor of protection for recipients who could reasonably prove that they or the person they were dependent on had engaged in some employment. It is not the intent here to go into a detailed discussion of the problems of administration and control of a broad social security system as is here suggested. However, if we set as a goal for the degree of control of social security taxes and benefits what we have under our system of income tax collection, the present social security administration involving individual accounts for covered workers would be tremendously simplified. Furthermore, a closer relation between the income tax system and social security might well be examined especially with respect to methods of administration. This line of approach, although not directly covered by the subject matter of the paper, is suggested by the system of financing proposed and is referred to again later in this paper.

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As stated previously, with respect to current benefits, such as those relating to unemployment, temporary sickness, and health and welfare, the tax-benefit time relationship is necessarily concomitant. The current-cost plan (described on page 227) for expressing equivalence of taxes and benefits for these types of coverage would be extended to permanent total disability, death and old age. This financing plan is based upon successive periods of several years each, each period planned for in advance on the basis of the experience being evolved with respect to mortality, morbidity, unemployment rates, and other relevant factors, economic and otherwise. An attempt would be made to accumulate a comparatively small contingency fund against any fluctuations in experience. Scales of taxes and benefits need not change unless there were good reasons for the change, such as a new level of the factors making up experience; nor would changes necessarily occur at the end of each period. The plan would contain, however, long-range guarantees in the sense that the political and economic structure of the nation makes these guarantees.[26]

The scale of benefits for the two British plans was established at something like subsistence level. Although for the United States the problem is more complicated because of the varying standards of living throughout the nation and between urban and rural communities, the principle would be the same. A level of benefits presumably at something above subsistence—since the people of this country as a whole do enjoy a higher standard of living—would be established.[27]

The broad outlines of the financing of such a social security scheme can be shown clearly by a series of tax-benefit schedules,

[26] So that there will be no doubt of his meaning, the author wishes to make clear that he knows of no better guarantee for a social security system than this.

[27] The problem of the level of benefits, although difficult, should not be insoluble. The level of benefits might be made to vary throughout the nation in accord with indices of costs of living or wage-earners' income in selected large industries for several separate large geographical sections of the nation. Levels in rural areas would be lower. Actually the unemployment law attempts to do something like this through the medium of allowing the states to fix the level of unemployment compensation within the general limitations of the Social Security Law. The level of old-age benefits for a particular state may be made to depend on the unemployment benefits in such state.

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such as appear in Table A, together with a projected statement (Table B) of income and expenditures covering a period of years into the future. Such a presentation of the social security scheme should make clear the tax-benefit relationship, so that both legislators and the public can then achieve a more comprehensive approach to the problem of social security.

Study of Tables A and B suggests that social security is not a disembodied insurance scheme, but an integral part of the economic balance sheet of the nation. With this perspective the social security relationship between the individual and the government becomes as apparent as it does in the very similar relationship where income taxes are concerned. The attempt to make of social security a coexistent and independent governmental structure above and apart from the economic vicissitudes

TABLE A

TAX-BENEFIT SCHEDULE FOR SOCIAL SECURITY

It is estimated that receipts from schedules of taxes described in Column I will be about sufficient to provide the social security benefits described in Column II with contributions from the Treasury (i. e., general taxes) shown in Table B.

I				II						
From the following tax * on first $3,000 only of earned income each year				Benefits Provided						
	Employer	Employee	Self-Employed	Old Age	Survivorship	Unemployment	Health Insurance	Sickness	Disability	Public Assistance
A	1%	1%	1½%							
B	2%	2%	3%							
C	2% 5 yrs. 3% thereafter	2% 5 yrs. 3% thereafter	3% 5 yrs. 4% thereafter							
D etc.	Other practicable scales could be proposed.									

Brief statements of schedules of benefits, *currently payable* at different levels of taxation, would appear here. (Details could be given in notes following the "Tax-Benefit Schedule".) Benefits paid for in part by the states would be so described.

* Consideration could be given different tax bases, e. g., a uniform amount from everyone.

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TABLE B

	Year of Plan *				
Basis . . .	1st Yr.	2nd Yr.	5th Yr.	10th Yr.	20th Yr.
Income from Taxes					
Employees (and Self-Employed)					
Employers					
Treasury (i. e., General Taxation)					
Total Income					
Expenditures					
Old Age					
Survivorship					
Unemployment					
Health Insurance					
Sickness					
Disability					
Public Assistance					
Other Benefits Listed					
To (+) or From (—) Contingency Reserve					
Total Expenditures = Total Income					

* It is advisable in estimates for future years to show two sets of figures—high and low—based on the two extremes of reasonable assumptions for the future of factors of mortality, unemployment, sickness, etc.

of the nation goes by the board.[28] There has been some interesting discussion in Great Britain [29] along the lines of integrating the social security relationship between the government and the individual with the income tax relationship. The two are essen-

[28] The emphasis on a "closed" scheme in "financial equilibrium" sets off, for special treatment, a selected portion of the working population with the financial support—but not the participation—of other sections of the population (through government subsidy). The tendency to create in this way a favored group has been heightened in the Railroad Retirement Act—functioning side by side with the Social Security Act—under which railroad employees receive preferential treatment within the covered working population. R. B. Robbins, *Railroad Social Insurance: Favored Treatment* versus *Uniform Social Insurance* (New York and Washington, 1945).

[29] See in this connection A. T. Haynes and R. J. Kirton, "Income Tax in Relation to Social Security", *Journal of the Institute of Actuaries*, London, vol. LXXII, Part I, and the discussion of this paper, especially that by Lady Rhys Williams who has approached the same problem along social rather than financial lines. See also Lady Rhys Williams, *Something to Look Forward To* (London, 1943); and *Report on Lady Rhys Williams' Scheme* (London, Liberal Publication Department, March 1944).

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tially counterparts, the former involving payments from government to individual, the latter payments in the opposite direction. The latter, by reason of its negative elements—deductions for family status, dependents, and so forth—involves a subsidy by the government similar to that in social security. Social security benefits to the present dependent groups, such as the over-age group, would presumably mean no dependency allowance in the income tax for support of such individuals. Part of the cost of the old-age benefits would therefore be made up, as far as the government is concerned, by the increase in taxes.

If the fiscal policy of the government is such as to coördinate its various financial transactions, a budgeted social security scheme, similar to the one proposed, would be more in line with such policy than a funded, closed scheme attempting to achieve a financial equilibrium of its own.[30]

Some of the advantages of financing social security in more realistic terms on a current-cost basis would be as follows:

1. It would be more apparent to all concerned (1) what the plan would cost and who would pay for it and (2) what level of benefits would be provided at a given cost. This would undoubtedly result in a much clearer idea of what was being done in the way of social security.

2. There would be far less likelihood than at present of liberal benefits (deferred for a number of years in the future) being proposed and adopted without any clear realization in many important quarters of the ultimate cost.

[30] The demand for a unified policy is often made. See, for example, Beardsley Ruml and H. Chr. Sonne, *Fiscal and Monetary Policy* (N. P. A. Pamphlet No. 35, p. 4): "By the term 'federal budget' we mean all the financial transactions of the federal government, income and disbursements, whether they fall under the jurisdiction of the Bureau of the Budget or not. It would include social security and other trust accounts, the several federal corporations and lending agencies. We must take this inclusive view, because it is possible for the federal government to have a policy with respect to this comprehensive budget. It has the power to associate the totality of its financial transactions in a single schema, judging one item against another item and each item against the whole. Such a policy would be a federal budget policy, and decisions as to what the federal budget policy would be will have a profound effect on high employment."

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3. Old-age assistance would practically disappear. The present old-age population would receive income as a right and not on the basis of proved need. Preferred "covered" groups of the working population would be eliminated.[31]

4. Central records of individual covered employees' taxes would be greatly simplified, if not entirely eliminated.

5. The concept of individual equities,[32] which arises from the present treatment of social security, is not realistic in the economic sense that the working population under social security provides the benefits for the nonworking population. The guarantee to the individual worker that he will receive benefits when he himself cannot work is implicit in the functions and obligations of any free democratic people who inaugurate and maintain a social security scheme.

6. Definitions of insured status, which are extremely complicated under the present law, would be very much simplified. Some types of death benefits could be omitted. Parents' benefits would be unnecessary since there would be old-age income for all over a certain age. Lump-sum death payments, now payable if no member of the immediate family is living, could be omitted.

This list is not complete and the points involved are covered briefly, since an extended discussion of this aspect of social security is not intended.

The social security contract and its financing are interrelated and are part of the economic and social structure of the nation. For example, the problem of a varying standard of living throughout the nation in determining the scale of benefit payments is interwoven with the problems of uneven distribution of educational and health standards and unequal industrial

[31] See note 28.

[32] See, for example, the appendix of the *Congressional Record*, December 6, 1944, where Senator R. F. Wagner, referring to the social security system, states: "It is a contributory insurance system, with employees and their employers paying premiums into a common fund. . . . The purpose of these payments (i. e., insurance premiums) is to assure every individual that he will receive the benefits for which he has paid. . . ." Other statements of a similar nature are made in the course of his remarks which constitute a radio address delivered by Senator Wagner.

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and agricultural development. The extent of government, employer and employee participation in the cost of social security is determined by the resources (domestic and foreign) of the nation, its ability to make use of such resources, and the extent to which it desires to allocate goods and services to nonproducing members, both in the present and in the future. Essentially, the problem is twofold: (1) what portion of production in goods and services can be allocated to social insurance and services and (2) how can such goods and services be distributed to meet contingencies insured against and social services provided for? There is a wide margin in the answers to the first phase of this problem, depending on how much of "normal" uses the producers in a nation can and will allocate to nonproducers. A current-cost approach recognizes the realities of social security and is able to present to the public the scheme's financial picture in its true economic setting.

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POST-WAR INTERNATIONAL COMMODITY TRADE: PUBLIC PROBLEMS AND POLICIES

THIS article is an attempt to outline some of the "public" problems and policies that may be expected to develop in connection with the participation of the United States in post-war international commodity trade. The general approach to such problems and policies is based on certain explicit assumptions as to post-war world organization, which seem reasonable in view of present economic realities, world political pressures and administrative possibilities, as well as the people's interest. The problems cited, however, will confront us under any set of assumptions and regardless of the general basis upon which their solution is sought. Statesmen and students of government will not be able to dodge them.

An economic system is an organic whole consisting of many related parts, some of which are not strictly economic. There cannot be a free-trade organization of the export trade of one country, if various foreign markets are dominated by private or public monopolistic controls. One country cannot base its export and import policy on the principle of the international specialization of enterprise, in accordance with regional cost advantages, while other countries restrict imports arbitrarily or subsidize exports. If the fear of war is strong, international trade will be regulated in order to maintain a nation's war potential rather than to maximize wealth. Policies concerning wages, immigration, monetary standards, transportation rates, all have their bearing on trade policy. Accordingly, any policy for the conduct of international commodity trade must be based upon certain assumptions as to these other matters and must be conducted in relation to them.

For the purposes of this article it is assumed that in the post-war period there will be (1) an adequate system of collective

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security; (2) world monetary controls which will regulate exchange rates between national currencies; (3) a practical application on a national and international basis of the concept of full employment through control over credit, investment, the volume of public works, and other measures; [1] (4) a disposition on the part of the leading Powers to coöperate realistically in order to settle international economic problems and to maximize world production.[2]

It is advisable to avoid debate or confusion over terminology by designating as " public problems " all matters which have an important bearing upon the welfare of broad classes of citizens and which require the continuous responsibility of the central organs of government in order to insure that these problems will be handled in accordance with the general welfare as interpreted by the government involved. For these public problems the central organs of government can discharge their responsibility by entrusting powers to agencies directly responsible to them, by creating and policing a system of rules and institutions under which individuals and nongovernmental agencies function on their own initiative without further governmental participation, or by various combinations of these methods, depending on circumstances.

It is assumed in this article that there are no " fixed rules" which determine what types of agencies should handle particular types of problems but that, instead, such matters should be determined by the " facts " of the matter in accordance with objectives. Accordingly, a question such as whether or not to expand steel ingot facilities in India might appropriately be decided by either governmental or nongovernmental agencies of various types and compositions, depending on circumstances. What must be insisted on is that there be agencies and procedures for deciding such questions in a manner consistent with the public interest.

[1] The government of the United Kingdom has recently accepted as one of its primary aims and responsibilities, the maintenance of a high and stable level of employment after the war. See the White Paper on employment policy.

[2] The Atlantic Charter provides for the " fullest collaboration between all Nations in the economic field with the object of securing, for all, economic advancement."

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Public Problems

Many of the situations out of which international trade problems may be expected to arise during the post-war period are similar to those encountered in domestic commerce—overproduction, for example—but the problems are different because the laws and other institutional arrangements which are set up under the aegis of national sovereignty to cope with such situations do not exist in the international field. Other problems, such as those caused by war, national defense considerations, and different monetary systems, do not arise within domestic economies because they are, in fact, the result of the functioning of different national sovereignties in an interdependent world.

If a nation desires to be able to wage successful war, either defensive or offensive, it must be in a position to count on an adequate supply of all the products which are essential to this enterprise during the period of combat, including the essential needs of the civilian population. Consequently, the nation, or group of allied nations, must be able to produce, aside from stockpiles, an adequate quantity of such products either within its own boundaries or within territory it can count on occupying or trading with while at war. The products needed for war either are, in large part, the same or substantially the same as those needed for civilian peacetime living, or are capable of being produced by the same or slightly altered facilities and with the same engineering and skilled labor talent. The purely munitions trade does not affect the general problem of international trade to any significant extent and will not be considered in this article.

Accordingly, in a war-minded world, the requirements of national defense lead either to autarchy or to regional economic groupings associated with alliances. Therefore, an adequate system of collective security must be achieved if the benefits of international trade are to be realized to any important extent. Even so, national defense considerations place limitations on the degree to which specialization will be carried, and such limitations will vary from time to time in accordance with fluctuations in international politics. In fact, the national or regional regulation of trade for military purposes will become part of the

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armament limitation problem. The refusal to import or the subsidizing of exports because of military considerations will be evidence of either aggressive designs or lack of faith in the collective security system.

The threat to international trade represented by such factors is considerable, but it is not as great as is generally supposed. Care should be taken that the military aspect be not used as a pretext for what, in reality, is simply economic protectionism. Much of the national security interest in maintaining industries essential to war is satisfied if the "know-how" is available so that production can be quickly expanded in case of need. Uneconomic production need not be engaged in till war actually threatens.

With adequate government research and development, with pilot plant experimentation and the use of "educational orders", the "know-how" factor for many war industries can be provided without maintaining, during peacetime, industries which require subsidies or protection in order to exist. In case of actual war there would be a considerable time lag in getting such industries into full production. Stockpiles of items needed for purposes of national defense can be built up from purchases in the world market, until they reach a size which will meet potential requirements in an emergency pending the achievement of adequate domestic production.[3] Moreover, most peacetime industries require a considerable amount of new equipment and labor training in order to be converted to war production so that there is an unavoidable delay factor even for the nation which adopts the policy of maintaining uneconomic peacetime production for potential military purposes.

Industries producing and processing raw materials, machine tool industries and nonspecialized fabricating industries, however, can be used interchangeably for war or for peacetime production purposes. Accordingly, it is true that nations or "blocs" possessing such industries have a decided military advantage over those which do not. So far as industries producing

[3] It is better to allow such stockpiles to be built up rather than to drive nations to uneconomic production by excluding such purchases through national or international action.

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nonsubstitutable raw materials are concerned, however, this situation cannot in some cases be remedied by any policy, because certain regions simply cannot produce these materials at any cost. Where they can produce the raw materials or a substitute only at a high cost, their defense problem can be solved better by pilot plants and by stockpiling a safety reserve than by subsidizing actual production during peacetime.

The problem faced by nonindustrial nations in regard to machine tool and fabricating industries is severe. Their war potential can be increased in this respect only by becoming industrialized. To the extent that industrialization takes place for this reason alone, it represents a lessening in that nation's wealth and in world wealth. But, in any case, it is not necessary for potential military purposes that a nation build up or maintain industries in all or even most of the peacetime lines. Particular peacetime industries can be converted into a number of different wartime industries, and particular war industries can be fashioned out of a number of different peacetime industries.[4] Accordingly, although defense considerations indicate that a nation should have a considerable peacetime industrial structure, they do not stand in the way of a considerable degree of specialization as to branches of industry or types of products.

Up to this point, an "adequate collective security system" and the regulation of trade for national defense purposes have been assumed to be mutually compatible. Modern war, however, has become so industrialized that an adequate system of collective security will require some measure of international specialization of industry so that individual nations or blocs will not become so self-sufficient as to threaten war or defy the collective security system. Particularly should this principle be applied to potential aggressor states. Germany and Japan, for example, should not be permitted to maintain, through subsidies and protection, industries which are desired chiefly because they are necessary for wartime self-sufficiency.[5]

[4] For example, gun mounts can be machined by either converted printing press plants or locomotive works.

[5] Examples are grain and synthetic petroleum in the case of Germany.

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"War Babies", that is, industries fattened by wartime demands and wartime interferences with access to what otherwise would be the principal source of supply (because of blockade, lack of transportation or absence of exchange), present a public problem of a most serious nature. What should be the future of the synthetic rubber industry in the United States, with its billions of dollars in plant investment—government as well as private—and with the thousands of workers, engineers and managers, the community facilities and merchants, and the industries supplying raw materials, all of which will have become dependent upon it?[6] What of the agricultural production—and associated processing industries and community services—which has, during this war as during the last, received an artificial stimulus? What of the giant munitions industries with facilities that are convertible to the production of peacetime articles which can be exported in competition with the pre-war exports of other countries? What of the local industries that have sprung up all over South America to supply consumption demands temporarily divorced from their previous sources of supply? These all create public problems because of the millions of people whose employment and occupations are tied to them, because of the governmental as well as corporate and individual capital investments involved, because of the consumers' interest in low prices, because of the interests of taxpayers who may be called upon to pay large subsidies, because of the interests of those who have investment and employment stakes in the "normal" industries that are threatened with eclipse or decline if these "war babies" continue their war-engendered existence, because certain industries constitute a part of a nation's war potential, and because the pressures and frictions that can arise out of the resulting conflicts of ideas and interests will be sufficient to embitter the relations of groups within single nations and, more importantly, to endanger the peaceful relations of groups under the jurisdiction of different national governments.

It is clear that at the end of the war there will be many industries which are artificially located in terms of relative cost

[6] See the article on "Rubber Prospects", *The Economist* (London), July 1, and 8, 1944.

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advantages and in which there will be excess world capacity. The wealth of the world as well as of the people of the United States stands to gain if these "war babies" are replaced with industries located in accordance with the principle of comparative advantage.[7] Of course, some of the "war babies" may be able to stand on their own feet. In the case of others the fixed investment, including the labor skills acquired, might be sufficient to justify maintenance on the basis of a small subsidy or a small degree of protection. Even in this instance, however, a gradual tapering off, perhaps by prohibiting replacement of worn-out equipment, would be desirable. In other instances a rapid dismantling should take place with government financial assistance and compensation to the private interests adversely affected.

This process, however, should be correlated with investment and employment opportunities. It is assumed that in the post-war period it will be possible to maintain full employment. Some of the new employment and investment opportunities that will develop will be in the export field, in part because of the application of the policies herein recommended. The transition of workers and capital to the new industries should be carried out on an orderly basis with governmental participation in the process. There is no other way in which such a policy of dismantling would be politically feasible.

With the demobilization of armies and the drastic reduction in armament expenditures that will come after the conclusion of hostilities, there will be a tremendous world-wide expansion in production of articles of peacetime commerce. The tendency will be to reëstablish pre-war industries. In countries where the war has led to the development of new plant capacity, new labor skills and efficiencies, and the mass entry of women into industrial occupations, the pressure to expand production over pre-war sights and to develop new industries such as television, commercial freight and passenger airplanes, and air conditioning will be tremendous. The extent to which such industries will be

[7] For an excellent statement of the comparative cost principle see *International Economics*, by B. F. Harrod (Cambridge Economic Handbooks, New York, 1933). See also *Industrialization and Trade*, by A. J. Brown (B. I. I. A. Post-war Problem booklet, London, 1943).

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based on export markets is a matter of speculation at present.[8] Likewise backward areas such as China, India and Africa will seek to industrialize themselves for purposes of increasing their power potential, improving their standards of living, and preventing post-war unemployment. Modern war spreads mechanization; and modern war has touched the industrially backward regions closely. To what extent will this new industrialization reduce potential markets for the United States and other industrial nations? Under what conditions can overcapacity in certain lines be avoided?

It is utopian to expect that huge and costly mistakes, with attendant international friction arising from overproduction, can be avoided or that any substantial attainment of the advantages of international specialization can be realized, if these post-war expansions of production are allowed to take their "natural" course. Orderly, harmonious and coördinated developments will not just happen automatically or as a result of "natural" forces. There will have to be thought and planning in both national and international spheres. The disorder and maladjustments resulting from an alternative policy would build up powerful pressures not only for protection but also for full-scale national control of the whole of the industry of the United States as a consequence of the financial disruptions and mass unemployment that would result sooner or later from a chaotic scramble.[9]

[8] British and American export interests have shown great concern regarding this matter. For example, a front page article in the December 1, 1943 *Journal of Commerce* is headed "Canadian Export Drive Imminent". According to the article, "many United States exporters may find anticipated post-war markets already well supplied with Canadian goods." The British National Union of Manufacturers has frequently expressed similar fears regarding United States exports.

[9] The extent to which British policy regarding post-war international trade and political adjustments, particularly in regard to the solution of the German problem, is being influenced by fears of a chaotic unplanned post-war industrial scramble and tug-of-war for markets is apparent from the most cursory contact with British opinion. "The chances of getting generally adopted a commercial policy designed to promote rather than to restrict international relations as a whole may be jeopardized in the first post-war months if governments fail to agree in advance upon some orderly process of decontrol and some financially and economically sound system of reviving the economic life of countries empoverished by the War." *Commercial Policy in the Interwar Period*, League of Nations (Geneva, 1942), p. 156. See also *id., The Transition from War to Peace Economy* (Geneva, 1943).

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It is obvious that these immediate post-war readjustments will not be completely unplanned. If governments do not intervene, private groups will do the planning through their trade associations and national organizations as well as through private international agreements.[10] Only if governments supervise and coordinate the planning and do this on a coöperative international basis is it likely that the peoples' interests and peaceful international relations will be secured.

The economic consequences of war, severe though they may be, are of temporary duration. There are other factors, however, creating severe instabilities and maladjustments in international trade which may be expected to assert themselves continuously. These factors may be divided, for convenience, into those which affect demand and those which affect supply. Among the first are: (1) cessation or diminution of foreign purchases because of the stimulation by foreign countries of other sources of supply for reasons of national defense or of foreign policy; (2) temporary increase in demand because of the same considerations as in the case of foreign stockpiling or conservation programs; (3) the resourceful and continuous efforts on the part of producing interests to protect themselves against foreign competition in domestic and overseas markets;[11] (4) fluctuations in foreign purchasing power due to depressed economic conditions, exchange rates, wage policies and tax policies.

The factors producing changes in cost advantages may be due to capital equipment or machine tool exports to industrially backward regions or to new technological developments affecting production methods. Thus a new process, such as rayon manufacture, may destroy or diminish a national cost advantage such as that enjoyed by Japan in regard to silk. Again, a new process or technology may change a skilled labor industry to an un-

[10] See in this connection the proposal for an international oil compact. *Journal of Commerce*, Dec. 21, 1943, p. 16. Subsequently, this matter reached the State Department level and led to the conclusion of an international oil compact.

[11] Protection takes the form not only of tariffs and quotas, but also of differential transportation rates, cartel agreements allocating sales territory enforced by threats of reprisals, burdensome administrative procedures relating to imports, excessive taxation, and discriminatory treatment of foreign selling agencies. Percy Bidwell, *The Invisible Tariff* (New York, 1939).

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skilled labor industry or vice versa, thereby shifting potential cost advantages from regions of skilled high-wage labor to those with unskilled low-wage labor. Further, changes in cost advantages may result either from the development of an engineering and managerial corps in a backward country, with the requisite knowledge of processes and methods, or from the development of a mass of skilled or semi-skilled labor. This, in turn, may depend on an increase in educational levels or in specialized trade educational facilities or in multitudinous incentive factors. On the other hand, various types of related industrial developments in one region may wipe out another region's previous cost advantage. Among such factors are dams providing cheap power, roads and railroads which reduce transportation charges for industries located in particular areas, and the development of by-product industries. Many factors of this type are relatively intangible. Hence, the development of technological research activities rooted in related industries, the similar development of specialized engineering services sustained by a broad base of industrial clients, the stimulus and suggestive knowledge that can come from close contact between those engaged in the manufacture of a product and consumers of the product, as well as contact with manufacturers of similar products, all tend to produce a "snowballing" of increased efficiencies along with the general developments of industry in a region. Finally, cost advantages may accrue from subsidies extended either by governments or by trade groups for political protection or for national security reasons.

In view of the factors cited it appears inevitable that, even after the immediate post-war adjustments, previously referred to, have been made, the conditions under which international trade will be conducted will tend to fluctuate to an extreme degree. Consequently, governments must either coöperate to make necessary adjustments in productive capacity and to reduce or cushion the factors creating instabilities or continue to be subjected to the pressures which have in the past led to tariffs, devaluations, cartels, quotas and wars. It is inevitable that there will be tremendous shifts in the size and location of industries

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of various countries, especially if the general policy of furthering international trade on a labor specialization basis discussed below is adopted. It seems inconceivable that such changes can be made without disastrous repercussions on internal and international group relations except under governmental and intergovernmental planning and supervision of the necessary adjustments. Governments cannot refuse to tackle the problems created thereby on the grounds that the economic system will correct itself as the classical theory of international trade posited. There are many reasons why such readjustments do not occur, or, if they do, are not a satisfactory answer to the problems created.

It seems altogether reasonable to argue that governments should make a more direct approach to these problems by directing or facilitating the long-run adjustments made necessary by important changes in the conditions of production and by other factors. Tariffs and quotas should be used only as temporary cushioning devices pending the effectuation of more fundamental adjustments. At times government purchasing on a Lend-Lease basis and buffer stock pools maintained by international agreement will provide the proper mechanism for achieving the balance desired. In order to distribute the cost of adjustments fairly as well as to render them politically feasible, compensation schemes, incentive inducements and labor retraining programs will have to be employed. Without such cushioning devices the pressures applied by sick industries for old-fashioned protectionism and foreign imperialist penetrations will be irresistible.

Difficult problems are presented by the existence and functioning of monopolistic producing and distributing organizations.[12]

[12] Monopolistic behavior on the part of consumers or governments representing consumers may also jeopardize international relations and prevent the full achievement of the benefits of production in accordance with comparative advantage. "Buy American" or "Buy British" movements, as well as the country-of-origin labeling regulations, are of this type. The Chinese buyers' embargo of Japanese goods falls into this category. Revenue tariffs may likewise be considered in this light as analogous to sales taxes. Such factors will undoubtedly curb German exports for many years. Compulsory country-of-origin labeling legislation facilitates such embargoes.

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By monopoly is meant an organization, or series of organizations under unified or coördinated direction, which controls in law or in fact a preponderance of the production or distribution of a product or related products for a particular nation, region, or the world.

Where there is nongovernmental monopoly, certain tendencies and conditions arise. There will be at least a tendency to maintain prices well above costs in order to reap the highest profits on invested capital. This involves reducing sales or capacity or both below what they would be if prices were based on costs. There will be a tendency to resist new developments that will not result in increased profits, to "manufacture" a favorable demand schedule by extensive advertising, and to resist the entry of new enterprise into markets served by the monopoly. In order to achieve these purposes, the monopoly will tend to seek control over the channels of distribution as well as the facilities for production. The instrumentalities of government, as well as nongovernmental agencies, will be used if possible to carry out these objectives.

Only the international aspects of monopoly concern us here. The problems created depend upon the facts surrounding the case at hand. Where one nation or federation controls the primary sources of supply of a nonsubstitutable material or product, such as nickel or coffee, the consuming nations have no protection against the monopoly except through diplomatic or international action. The producing nation is confronted with strong pressures from the monopoly not to intervene. In the case of a two-price arrangement whereunder monopoly prices are charged only for exports, there will be no counteracting domestic pressures except from those anxious to preserve international good will. In fact the domestic industrial consumers will be interested in supporting the monopolistic foreign price, because it results in placing their foreign competitors at a competitive disadvantage. Such a situation requires some form of international administrative remedy. In the case of raw materials, access on equal terms should be guaranteed by international agreement, and the interests of consuming nations should

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be represented on agencies which limit production or maintain buffer stocks.

Where production is distributed over different national areas, the existence of monopoly in one or all of these areas will lead to one or all of the following: (1) a demand for import restrictions to protect the monopoly's hold on the domestic market; (2) an imperialistic struggle for the control of markets in areas under weak governments, (3) private trade warfare, (4) international cartel agreements dividing up markets and fixing prices and production.

A national government can protect domestic producers to a limited degree from the exercise of unfair trade tactics by a foreign monopoly within the national boundary lines. But it cannot protect them in overseas markets except by diplomatic protest or imperialistic penetration. This has the effect of nullifying the value of protection that can be given in the domestic market, because foreign monopolies can threaten punitive action in overseas markets if domestic producers seek governmental protection in their own markets. Besides, the withholding of patents can be used as a club.

A variation of the monopoly problem arises where an agricultural nation is trading with an industrial nation. There has been a strong tendency on the part of heavy industry to maintain high prices, whereas this has not been possible for the small individualistic agricultural producers, unless assisted by government. Hence, agricultural producers sell in a competitive market and buy in a semi-controlled market. Where the economy of a whole nation or region is based on agriculture, the "terms of trade" are usually against it. A demand for industrialization is apt to arise, although alternative solutions might be (1) the establishment of competitive prices for the exports of industrial nations, (2) the exercise by the agricultural nations of a buyers' counter-monopoly through import controls, (3) the control of agricultural production on an A.A.A. basis, or (4) international barter agreements. The third solution is impractical, however, except through agreements with other agricultural exporting nations, unless a large portion of the world export trade of particular agricultural products is from one nation.

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The individual entrepreneur, or the small or new entrepreneur, always encounters difficulties if he is selling in competition with organized groups controlling large slices of the market. Within national jurisdictions some attempts are usually made to protect him. This is not true, however, where the organized producing group is operating on foreign soil. He may be crowded out of the foreign market by tariffs, by boycotts and by threats of reprisal.[13] More ominously for the consumer he may be persuaded to join in the control of the market and be allotted a share.

The solution to the international monopoly problem would appear to exist only in some form and degree of coöperative international regulation. Any attempt on the part of the United States to persuade the rest of the world to establish domestic systems of free enterprise similar to her own, or what is considered to be her own, is almost certainly foredoomed to failure.[14]

Where international producer cartels function, international trade is controlled by private group agreements. It is unlikely that such controls will be in accordance with the consumer interest of any nation, or the national security interests of some countries, or that they will be fair to the new entrepreneur. This represents the making, by nongovernmental groups, of decisions which affect the public interest and which, accordingly, should be made only by agencies functioning under the responsibility of the central organs of government. It is unlikely that the public policy of maximizing the benefits of international trade could be carried out, if such agreements were countenanced, except with the specific approval of administrative agencies responsible to the central organs of government.

[13] The difficulties encountered by American business men seeking to compete in world markets without coming to terms with cartels are too well known to require documentation.

[14] See "Planning Industry's Future in Britain", by Walter Hill, *Harvard Business Review*, vol. XXII, No. 2 (Winter 1944). See also the description of activities of and estimate of post-war prospects of the U. K. Commercial Corp., a governmental corporation, *Journal of Commerce*, Dec. 10, 1943, p. 6. See also General de Gaulle's Lille speech and the recent announcement of the French Minister of Industrial Production regarding France's *economie dirigée*.

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Few close students of the cartel problem consider international agreements among private groups to be an unmixed evil,[15] while most recognize the dangers associated with them and are willing that steps be taken to guard against these dangers.[16] However, the problems raised by monopolies of international scope cannot be solved on a purely national basis.

If the objectives and policies recommended in this article are to be realized, there must be a close coöperation between agricultural, industrial and marketing organizations, and governmental agencies directly responsible to the central organs of government which will involve some degree of industrial organization within nations, and coöperative arrangements between such groups and their counterparts in other nations. Agencies directly responsible to the central organs of government can implement and determine policies, issue directives, approve agreements, and make factual investigations; but in order to carry out even these functions well there should be close contact with the organizations that produce, distribute and purchase articles of international commerce. The final implementation of such policies and the execution of such directives and agreements must be done by these latter organizations, whether they are privately owned and controlled or whether they are government corporations or trusts. Accordingly, where production and distribution are carried on by "private" or nongovernmental organizations, some mechanisms and procedures must be evolved for enabling these organizations to adjust their day-to-day activities to a public policy of full employment and international specialization on the basis of comparative cost advantages. There is no reason, however, why there cannot be freedom of enterprise under such a system. Industry does not always have to be either at war

[15] For an extreme statement of this point of view, see "Economic Peace Through Private Agreements", by Anton de Haas, *Harvard Business Review*, vol. XXII, No. 2 (Winter 1944).

[16] *The International Steel Cartel*, by Ervin Hexner (Chapel Hill, 1943). See also the statement on behalf of the Standard Oil Co., reported in *The New York Times* of Sept. 13, 1943, p. 16: "The Company is ready to file . . . copies of all contracts it makes with foreign corporations." For a short but balanced discussion of the future of cartels in international trade see "Cartels: What Shall We Do About Them?" by Milo Perkins, *Harper's Magazine*, November 1944.

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with government officials, or entirely free from government control, or completely dominated or stifled by government.

The motives, objectives and tendencies which are present in the case of private monopolies usually are not present in the case of government monopolies. Government monopolies, however, can adopt the same policy of price setting and production limitation, especially where foreign markets are concerned. Such monopolies may be merely dressed-up private monopolies, as in the case of the Spanish tobacco monopoly. Such is not the case, however, with the Soviet trusts. Since they are instruments of a planned economy, their adjustment to whatever policies the government adopts is relatively simple.[17] Resistance to low-cost foreign imports is apt to be on grounds of defense, foreign policy, or balance in international accounts rather than protection of invested capital or workers' occupations.

When some countries operate on the basis of free competition, some on the basis of state-controlled monopoly and some on the basis of private cartels, difficulties in conducting trade are inevitable.[18] The rules and objectives of the three systems differ pointedly. The state-controlled monopoly may be trying to sell in order to secure as much foreign exchange as the government wishes. The private monopoly groups are trying to control production and distribution so as to keep prices at levels they consider profitable and to capture as much of the market as possible. The individual entrepreneur aims to sell as much as he can as long as a profit can be made. The first two frequently engage in dumping. Accordingly, international trade between nations with different systems for the organization of production and distribution requires some measure of coördinated governmental intervention.

There will be many other problems requiring international action that cannot be discussed adequately in this article. Dif-

[17] The representative of Soviet Russia on the League of Nations Committee of Enquiry for European Union, 1931, stated that the Soviet Union could give a positive and effective guarantee of non-discrimination and of purchase on a commercial basis. For a theoretical discussion of this point see *Capitalism, Socialism, and Democracy*, by Joseph A. Schumpeter (New York and London, 1942), chap. xvi.

[18] See "Governments as Foreign Trader", chapter iv of *Trade Relations Between Free-Market and Controlled Economies*, League of Nations (Geneva, 1943).

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ferent trade customs and legal systems create serious difficulties. Thus different rules as to the acquisition and protection of trademarks and patents have been disturbing factors in international trade. Also foreign corporations have experienced difficulty at times in acquiring property rights and other rights pertaining to the setting up of local offices to help market their products. The matter of uniformity in specifications, shapes, sizes and standards is productive of endless annoyances. The same is true with regard to the availability in the foreign country of adequate judicial processes for the bringing of ordinary legal actions. The matter of ownership, operation and development of industries by foreign interests and managers presents many problems.

The United States has a long history of trade restrictions for bargaining purposes. Embargoes and penalty duties have been imposed or threatened in retaliation for trade practices or other acts of other nations, or of groups within other nations considered to be hostile to or unfair to the United States or certain groups or interests within the United States. In view of the delicacy of international trade relationships and the difficult series of adjustments that follow upon temporary or arbitrary alterations in the flow of commodities, such use of foreign trade controls should be prohibited by international agreement. Other methods of adjusting such disputes should be tested. Specifically, it should be the function of an international court or administrative tribunal to hear complaints regarding hostile or unfair trade practices or controls and to provide relief, supported by international authority and sanctions.

General Public Policy Regarding Post-War International Trade

The casual observer may fail to appreciate the full setting in which basic international trade policy should be shaped. Impressed with modern technological ingenuity, he might argue that we, in the United States, can produce all we need at home. Actually, we cannot, at present, produce in the quantities needed certain items which are indispensable to modern industry, such as mica, quartz crystals, asbestos, nickel, mercury, tin, cobalt, beryllium, fibers, kapok, balsa, quick-drying oils; items which

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are important to health and appetite, such as pyrethrum, bananas, coffee, tea; and handicraft and art items which are peculiarly the product of particular regions. If we are to import such items we must export in order to pay for them and therein we have our irreducible minimum of foreign trade.

But why stop here? Should we exhaust our strategic natural resources of limited supply such as lumber, copper, iron ore, petroleum by refusing to import these products for our needs?[19] Or should we expand our labor on the home production of products such as rubber, textiles of certain grades and types, toys and manganese which we can secure at one-half to one-tenth the resource cost by importing them in return for exports of products in which we have a relative advantage in terms of production cost? Obviously only those with intellectual axes to grind, or vested interests in affected property rights and labor skills which might be associated with domestic production of such items, would reply affirmatively to such a question.

But why stop here? Do we want to encourage production, such as mica-splitting and underground mining, which is based on irksome, monotonous or degrading labor occupations, if the labor forces that might be involved in such production are capable and able to switch to other occupations, whereas foreign labor engaged in similar occupations is not able to switch because of low educational standards, religious customs, or other factors? Alexander Hamilton, in his *Report on Manufactures*, said that, in planning what to produce in this country, we should consider the effects of certain occupations upon the caliber and fiber of our people. Nor should the efficiencies that spring from tradition, long experience, and a trained labor force—such as those formerly enjoyed by the Swiss watch industry and the French lace and wine industries—or from a favorable relation to associated industries (as in the case of the American automobile industry) be overlooked. Furthermore, the United States, as is the case in most other countries, possesses many efficient export industries which cannot continue on a sound basis unless counterbalanced by imports.

[19] See *Wall Street Journal*, January 6, 1944, p. 1, for statement by Hon. William Batt on this point.

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Modern states frequently have protected the produce of certain groups because it was believed that such groups should be preserved as the cultural backbone of the state and the political base of the government. Thus Bismarck protected the agricultural produce of the Junker estates, the French Republic maintained duties to preserve the way of life of the *paysan*, and the American Congress has used tariffs in order to uphold and maintain the "rural way of life". Such a practice is inconsistent with the principles herein recommended. The costs to the community of maintaining such cultural conditions are too great. Furthermore, it is believed that modern living tends to break down cultures based solely upon occupation so that to attempt to preserve them artificially is hardly practical.

These are the main considerations that have led economists and many industrialists, bankers, statesmen and social planners to recommend a substantial amount of international trade and the adoption of policies which will free this trade from barriers and handicaps. We have reasoned from the standpoint of the United States only, but the position of both Russia and China is such as to render extensive international trade even more advantageous to their economies. As for Great Britain and the other nations of the world, extensive international trade is a day-to-day vital necessity for which there is no alternative.

It has been ably argued by the late Wendell Willkie and by Henry A. Wallace that prosperous conditions in other parts of the world increase the prosperity of the United States. In a very real and cogent sense this is true, if we engage in extensive international trade based on relative cost advantages and if a proper balance of import and export transactions is maintained. As productivity in foreign regions increases, we in the United States have made potentially available to us a greater volume of imports for a given quantity of our exports; and at the same time, if there is a satisfactory system of income distribution in the foreign region, we have made potentially available to us a greater export market.

With the spread of modern technology, advances in public health and education, and the improvement of political, social and economic organization in heretofore economically backward

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areas, there may be in the future a tendency for relative costs of production in different regions to become more equalized than in the past. To the extent that this occurs comparative advantages will become less numerous and the economic basis for international trade between the larger nations and federations will diminish. Nevertheless, such a development under the most optimistic of assumptions will take many years and, at the most, will only reduce the quantitative importance and extent of international trade by reducing the number of items that enter into it rather than change the general principles and considerations already set forth.

Accordingly, it is argued that it is to the public interest of the people of the United States that the undeniable potential advantages of extensive international commodity trade be translated into real and actual advantages during the post-war period. It is assumed that this same goal is to the public interest of the peoples of China, Russia,[20] the British Isles[21] and other nations, and that public policy in these countries should be guided accordingly. The organization of the labor enterprise of the world should be based on maximum world productivity in terms of world consumption requirements expressed in market demands. This objective is achieved when the labor of each area is organized to produce the products which it can produce with the greatest relative efficiency comparable to relative efficiencies of other areas.[22] Whenever labor and enterprise are not organized to produce on this basis, it is to the long-run interest of all nations concerned in trade that they become so organized

[20] There also has been announced a new five-year course in international relations at Moscow University for training specialists in diplomacy and foreign trade. *New York Times*, Nov. 4, 1943, p. 3. See also statement of Mr. Donald Nelson on his conversation with Stalin during his trip to Moscow.

[21] "Very largely the level of our standard of living . . . will depend in the future as in the past on the extent to which we can benefit from international division of labor." *The Economist* (London), Dec. 18, 1943, p. 806.

[22] It may be argued that in point of fact this can be determined only by experience because one cannot predict in advance the efficiency that may be developed by a new or synthetic process. However, it is believed that the judgment of an international agency assisted by disinterested scientists can make exceptions in appropriate cases for this contingency. Furthermore, such new processes can be tested to a large extent through research and pilot plant experimentation.

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through appropriate procedures—except for certain exceptions that will be discussed.[23] Particular industries, however, must be analyzed in considerable detail with attention to long-run as well as short-run factors before such changes should be made.[24]

In developing the flow of trade consideration must be given, of course, to the general balance of payments of individual nations. It is true that payments always balance through loans, gold movements, exchange fluctuations, national price level changes, or other adjustments. But some or all of these methods of achieving a balance may not be consistent with the national interest of one or more of the countries involved. In such cases, the appropriate method of achieving the proper balance may be to plan, on an international basis, an increase in selected exports or a decrease in selected imports in accordance with comparative cost principles.

Much has been said about cheap labor and international trade. If labor within each national economy is employed in the economically most effective way, and trade is expanded to the point indicated by comparative cost principles while maintaining a proper balance between import and export transactions, then competition between industries in low-wage and high-wage countries is not a type of unfair or anti-social competition. Certain producers in the low-wage countries win out not only because of the low wages but because the labor in the high-wage countries can be more effectively utilized in other industries. Both countries benefit. The competition with industries of other countries is on the basis, not of cheap labor, but of relatively more effective utilization of labor, which is another way of saying effective international specialization. What is important is not whether labor is cheap in terms of the labor in other countries but whether it is cheap in terms of the value of other potential uses of labor within the country involved. This latter should not occur.

[23] This point of view is directly challenged by many groups which are now seeking to "deindustrialize" Germany after the war beyond the extent actually required by reasons of security.

[24] The question of the method for determining statistically where particular industries should be located in accordance with the comparative advantage principle is outside the scope of this article.

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Of course, it is possible that, man for man, labor may be as efficient in one country as in another and yet receive lower real wages. This may be due to (1) inferior natural advantages, (2) inferior management or inadequate supply of capital, or (3) exploitation of labor by private entrepreneurs and bankers or by the state in pursuance of "national" policy. If it is the first, then ideally emigration should take place; but this may not be feasible. Likewise political, social and climatic conditions may render impractical the "importation" of efficient managers and of capital to redress a regional deficiency. If the lower real wages are due to either of the first two factors under the conditions just mentioned, then there should be no objection in other countries to the competition offered for the reasons cited above. However, there may be justifiable objections to the third factor. As one of the principal factors determining money costs, wages set the sights on purchasing power. Accordingly, national wage policies have a double-barreled effect on international commodity trade. If real wages in a nation are below the level which the productivity of labor would indicate, and the effect of this is not counteracted by other cost factors such as corporate taxes being higher than normal, there will be a stimulus to exports. At the same time the low wages will keep purchasing power at a low level and hence reduce the demand for imports, unless the low wages are offset by corporate and other taxes which are spent in a manner to offset this lowering of demand. This increase in exports and lowering of imports, aside from gold movements, may create pressure on exchange rates, lead to price level changes, or result in a decrease in national foreign debt or foreign property holdings in the exporting country. But such adjustments are not necessary or inevitable. Instead there may be the acquisition of large property holdings and investments in foreign countries by entrepreneurs and bankers or by the government of the low-wage exporting country. Furthermore, exchange rate changes and widespread price level repercussions resulting from a lack of balance in the commodity trade may be undesirable in themselves or impractical.

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There are several special situations—by no means rare—wherein a low-wage policy may be consciously adopted as the handmaiden of a heavy-export and low-import policy. One is where a nation or a group is desirous of making economic penetrations into other areas or nations by extending extensive loans to such areas or nations or by acquiring property holdings there. Another is where owners of industrial undertakings in colonial regions wish to use their profits in their home countries. A still further example is where a nation wishes to reduce its international indebtedness.

The purpose of this discussion is to point out that, if international trade is to function without either serious repercussions for some countries or the erection of protective trade barriers, it may be necessary under certain conditions to allow import restrictions on products the comparative money cost advantage of which is based on artificially low wages. However, a better and more permanent solution of a problem of this character probably could be found in control exercised over international capital movements or some international efforts looking toward the raising of wage rates and social service standards in areas where they are substandard in terms of local conditions.

One of the assumptions upon which this article is based is that the leading governments will after the war successfully and cooperatively operate a full employment policy. Yet international trade policy cannot be based upon blind faith that such policies will everywhere be successfully applied. The temptation to reduce unemployment at home by reducing imports should be resisted because this will spread unemployment to other countries and will eventually lead to unemployment in home industries producing for export. Where unemployment abroad leads to a curtailment of export markets, perhaps a reduction in imports will be necessary in order to preserve an appropriate over-all balance of payments. But here it is the balance-of-payments factor rather than the domestic unemployment factor which warrants the import restriction. As long as an appropriate balance of payments is maintained, other measures than import reductions should be resorted to in order to combat domestic unemployment

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whether emanating from a falling off of domestic demand or foreign demand. These measures may be either internal or international.[25]

Summary and Conclusions

This discussion has outlined some of the major public problems that may be anticipated in the international commodity trade field during the post-war period. There will be the problem created by the desire of nations or blocs for self-sufficiency so far as the industrial and agricultural sinews of war are concerned; the problems presented by high-cost industries created or expanded during the war and by the rush to expand in all directions that will take place in most countries when peace comes or before; the problems that will arise because of the constant changes in relative costs that will occur as between different regions; and problems arising out of tendencies inherent in cartels, government trusts, and the control of foreign trade by individual national sovereignties. It will be impossible to ignore these problems, and neither peace nor prosperity can be achieved unless they are skilfully resolved.

Furthermore, the recommendation is here made that the international commodity trade of the world be organized on the basis of the production of world consumption requirements in those areas that can show a long-run comparative cost advantage provided commodity trade balances appropriate to the general economic position of the various nations are maintained; and that, where bona fide considerations of national defense are involved, the matter be handled as an armament limitation problem. The solution of the individual problems that arise should be undertaken with these over-all objectives in mind.

Questions as to the location of industry, the quantity to be produced in particular regions, the direction of distribution, and the nature of industrial organization arise constantly within national economies. Mechanisms and procedures, of course, have been established to settle these questions with what is considered

[25] See "After the War—Full Employment", by Alvin Hansen, in *The United Nations, Today & Tomorrow*, edited by Violet Anderson (Boston, 1944). Also *Export Policy and Full Employment*, by E. F. Schumacher (Fabian Pamphlet, London, 1943).

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to be due regard for the public interest. Within the United States these mechanisms and procedures have been mainly of the market-place variety, but recently there has been a considerable development of public administrative devices.

It is obvious that there must be some mechanisms for deciding how much capacity there should be to produce particular products which enter into international trade, in what nations and regions such capacity shall be located, how much is to be produced with this capacity and where it is to be distributed. Those who support the theory of laissez faire free enterprise in international trade propose that competitive buyers and competitive sellers exchanging money for products in free markets, together with those who control the granting of loans, should make these decisions, but they frequently fail to pay sufficiently realistic attention to the conditions and institutions that must function if this system is to operate successfully in the international field, and to the question as to how we can get from existing conditions and institutions to the ones they posit. Planners of international trade are frequently no more precise or realistic.

A laissez faire free enterprise system would be more difficult to establish and operate in the international field than in the domestic field in the absence of a world state. As long as national sovereignties continue to exercise powers over national economies, the framework within which a market-place economy could function smoothly in the international sphere is not likely to exist—especially where these sovereign powers are used to create distinctly different types of national or federated economies. Likewise a completely planned economy, in the full sense of the word, could not exist in the international field in the absence of a world state.

The end of the war in Europe will provide a remarkable opportunity for instituting the policies recommended in this article.[26] An international agreement on commodity trade and an international trade agency to administer certain portions of such an agreement are urgently needed, if post-war economic

[26] Decisions as to what industries to rehabilitate in particular countries will be made during the period of military government. They will also be made in the U.N.R.R.A. stage. Mistakes made at this latter stage will be difficult to correct later.

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collaboration among the United Nations is to be made a reality.[27] A set of legal norms and a structure of administrative agencies, responsible to the central organs of government of individual nations, federations and of a world authority should be established for the purpose of assisting in the adjustment of different national economies to each other with due regard to individual, corporate and national interests affected, as well as to the peoples' interest in achieving as high a level of productivity as is practical.[28] Whereas such a system will deny to particular industrial establishments or nations the right to do what they please, it can allow and help sustain sound democratic freedom of enterprise within countries such as the United States, where that is earnestly desired. Price competition should operate within the framework of the broad controls referred to and the controls should be exercised with common sense and appropriate restraint. It will be sufficient if they be applied only in the more clear-cut types of cases—at least so far as compulsory international jurisdiction is concerned.

This appears to be the only practical alternative to tariffs, quotas, imperialistic penetrations, and unregulated international cartel activity, and the only realistic method for achieving the goal of the classical theory of international trade under modern conditions. Details of the organization, the procedure, and the legal structure of such a system, including the rôle of producing and distributing organizations, need to be further explored. Likewise, the problems associated with applying the general principles herein set forth to specific industries warrant separate treatment of a statistical nature. This study has attempted only to present problems, discuss policy, and suggest the broad basis of a solution.

WALLACE PARKS
LIEUTENANT, UNITED STATES NAVAL RESERVE

27 See "Trade and Employment", *The Economist* (London), May 27, 1944; also editorial, "Bretton Woods and After", London *Times*, 24 July 1944.

28 To those who would immediately term such a proposal utopian on the basis of the toughness of the national sovereignty concept, it is suggested that events and situations sometimes speak as loudly as concepts. See "The Three R's of Postwar Europe", by Hiram Motherwell, *Harper's Magazine*, December 1943, pp. 57-58.

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MORE LIGHT ON BOSS TWEED

IN March 1939, while examining the letters and papers of the late William C. Whitney, the author of this article came across a little sealed tin box.[1] The intriguing receptacle proved to contain letters, documents and papers belonging to the notorious William Marcy "Boss" Tweed! Whitney had obtained at least the bulk, if not all, of this collection in the summer of 1878, during his term as Corporation Counsel of the City of New York (1875-1882). He was engaged during these trying years in seeking to recover large sums of money fraudulently gotten by members of the Tweed "Ring" and their lesser conspirators, and also to defend the city against dishonest and hiked claims of suing contractors, assignees and others who had connived with Tweed to bid high, achieve little, and "kick back" much. Now, after Tweed's downfall, they sought to collect their contractual dues, with Whitney hoping to bar the way.

On July 11, 1878, Whitney had written to inform George W. Smith, Governor Tilden's secretary, that he had spoken

> to the Governor this morning about getting access to the original copies of the bank accounts of the ring people and he said, say to you to get them out and let me have them, (to be returned) . . . .
>
> If you desire to consult the Governor before delivering them you can do so, but meanwhile let the bearer look at any that he may specify.[2]

And so E. Henry Lacombe, Assistant Corporation Counsel, who was later to succeed Whitney in that office, examined and brought to his chief, miscellaneous papers, ledgers and deposits of Tweed and his fellow-rogues. For some reason these were never returned; perhaps Tilden no longer had any use for them, or Whitney more urgently needed this evidence to thwart the rascals raiding the municipal treasury. In either case, the papers were set aside in the little tin box, forgotten and ignored, and were not again examined until some sixty years later.

[1] The author, who is preparing a biography of Whitney, wishes to express his appreciation to Thomas J. Regan, of New York, for arranging and facilitating his use of the Whitney Papers. Mr. Regan was Whitney's confidential secretary, and represented the Whitney family in making available these invaluable manuscripts, and later in the family's donation of the larger part of them to the Library of Congress as a gift to American scholarship.

[2] *Tilden Papers.*

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They remained, however, excellently preserved. Separated into bound envelopes and packets according to subject matter, in many instances they considerably supplement the available information about Tweed. Consisting of letters, cancelled checks and promissory notes, they associate him with prominent personalities in the Democratic Party in the years following the Civil War, including—dishearteningly enough—many leading reformers of that day who welcomed the Boss's friendship in his heyday, but were to turn on him with fury once he was at bay.

The manuscripts assume their true importance in perspective if we recall, even sketchily, the story of Tweed and his empire. For years the Boss dominated the county and municipal governments of New York through his personal machine or "Ring", operating within the larger framework of Tammany Hall. In gross sums, even when judged by present-day standards, the "Ring's" graft and thefts were enormous; in the few years of its existence—roughly, between 1867 and 1871—it stole amounts variously estimated between $75,000,000 and $200,000,000. Essentially, its methods were padded bills, raised accounts, false vouchers, awards to highest bidders, inferior materials,[3] unnecessary repairs wedded to defective workmanship, and outrageous "kickbacks". Tweed set the groundwork for the worst type of machine politics and fixed the pattern of its behavior. The Tweed Ring today is a case history in corrupt municipal government.[4]

William Marcy Tweed was born in New York City on April 3, 1823. Learning in rapid succession the trades of chairmaking, saddler, bookkeeping and clerking, and the brush manufacturing business, he ultimately studied law, was admitted to the Bar, and in 1860 opened his own office. Of the law he knew little, but he extorted large fees for political favors. Thus, the Erie Railroad paid him $100,000 for that type of "legal services". With like purpose, Tweed bought a controlling interest in a printing firm in 1864, which soon did all the city's printing and which was patronized by many of the larger utilities and business firms in order to avoid political interference. By 1867, with the aid of still other ventures—none free from graft—Tweed had become a millionaire, and a neighbor of Whitney's on fashionable Murray Hill.

[3] See letter in Tin Box from James Dodd, engineer of the new County Court House, to Tweed, July 17, 1868. Dodd complained bitterly of the opposition he had been meeting from various subcontractors, and described the inferior quality of his engines and boilers. One boiler could not develop more than 50 pounds pressure!

[4] For an account of how the "Ring" operated, see the *Report of Special Committee of the Board of Aldermen appointed to investigate the "Ring Frauds", Jan. 4, 1878*, Doc. No. 8.

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Tweed's entrance into politics had been a natural result of his membership in a volunteer fire company. In 1848 he helped organize a new engine company, "Americus No. 6"; two years later he was its chief. Its rowdy, irresponsible elements supported him in ward politics, and it was no accident that the company's insignia, the head of a tiger, soon was used also as Tammany's symbol. Tweed was elected Alderman in 1851, served as a member of Congress from 1853 to 1855, and in the New York State Senate during 1867. By that time he was already a vicious force in the life of the city.[5] Before the Civil War, the Tammany Democrats and the Seward-Weed Republicans had plotted to divide the state into spheres of influence, Tammany to acquire control of the city and the Republicans to dominate upstate. This bargain reached its climax in 1868 when Tweed's crew was swept into power: A. Oakey Hall became mayor of New York City; Peter B. Sweeny, chamberlain; and Richard B. Connolly, comptroller.[6] The Tweed Ring could now give the city treasury its full attention. Tweed at this time was described as

> a familiar figure in the city of a million people . . . a tall, bulky person, his apparent ponderosity belied by his firm, swift step and his piercing eyes, grim lips and sharp nose. His untiring activity, his imposing physique and his union of cruelty, shrewdness and audacity had raised him in fifteen years from the position of chair maker to that of multimillionaire dictator of the city.[7]

Not even the dignity of the Grand Sachem of the Tammany Society in 1868 could make Tweed respectable. As state senator, with the aid of lavish bribery, he forced through a new State Charter to take effect in 1870.[8] It turned over control of the municipal treasury to Tweed and his henchmen by creating a Board of Audit for the city, consisting of Hall, Sweeny and Connolly in their official capacities, together with Tweed, who had gotten himself appointed as Commissioner of Public Works in 1870 for the purpose of being able to sit on this Board. In addition, Tweed's Charter almost completely neutralized the interference of state commissions in local affairs, and also effectively curtailed the power of the Board of Aldermen. The

[5] For an excellent summary of Tweed's career, see article on "William Marcy Tweed", in *Dictionary of American Biography*, XIX, 79-81.

[6] For a review of Connolly's career, see New York *Tribune*, June 9, 1880.

[7] Allan Nevins, *The Emergence of Modern America, 1865-1878* (New York, 1927), p. 183, vol. VIII in "The History of American Life" series.

[8] For an account of bribery involved in Tweed's Charter, see Hudson C. Tanner, "*The Lobby*", *and Public Men from Thurlow Weed's Time* (Albany, 1888), ch. viii, *passim*.

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essence of the scheme was that the permission of the Board of Audit was necessary before money could be drawn from the city treasury.

Tweed's carte blanche was expensive. The Special Committee of the Board of Aldermen, investigating the "Ring", reported on January 4, 1878 that the Albany Legislature was "a den of thieves". The city government was equally culpable. The Committee found that Tweed had bribed two of his hirelings, Michael Norton and Thomas J. Creamer, Tammany district leaders and state senators, to push the Charter in that body. Cancelled checks in the Tin Box reveal that Tweed paid Norton $67,250 in 1869 and 1870. No wonder, then, that Norton, upon presenting his benefactor with a Clarence and team in January 1869, added: "My greatest wish is that you may live long and enjoy it"![9]

The Boss admitted that he took care of the Senate himself, giving some of its members money or other compensation for their votes.[10] The Tin Box contains a letter from Demas Barries to Tweed on September 25, 1877 in which the former refers to a large sum of money that was transferred to a certain party with the understanding that it was to be divided among certain senators in order to secure votes for the Charter. As for the State Assembly, the Special Committee revealed that Tweed had spread his largesse among the assemblymen through a notorious lobbyist, A. D. Barber. By the judicious distribution of $600,000 Barber managed to get the system of tax-levying changed to Tweed's liking, for which he received a "commission" of $112,500.[11] The Tin Box also discloses that State Senator Henry W. Genet, a disreputable ward heeler and Tammany hack, got $5,000 in checks from Tweed. Nor did the Boss entertain scruples against dealing with the political foe: in the Tin Box we find that on December 15, 1870 Tweed paid $1,000 to the order of Thurlow Weed, the accomplished Republican lobbyist and partisan journalist. All in all, the Charter cost Tweed at least a million dollars.

Decent citizens were outraged by Tweed's régime. The bonded debt had soared, and the municipality had been brazenly cheated out of the public works and services for which it had paid. Filth, squalor, vice and epidemics were rampant throughout the shabby, neglected city. Only the party faithfuls and ignorant, duped immigrants, gulled by Tweed's shrewd and benign "charity", favored his rule.

[9] Tin Box, N to T, Jan. 16, 1869.

[10] *Report of Special Committee of the Board of Aldermen*, pp. 11-20.

[11] *Ibid.*, pp. 19-21. *Cf.* New York *Tribune*, Dec. 17, 1877.

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He made the latter citizens through his corrupt jurists, used fictitious or stolen names for vote-repeaters, marched them to the polls in wholesale lots; and, by virtue of this and his corrupt police and strong-arm plug-uglies, his enemies were invariably frustrated at the polls.[12] For example, in the Tin Box there is a letter of October 27, 1868 from Judge Albert Cardozo to Tweed, in which he declared: "Although you told me I haven't done anything for you, if you will send me $2,000 of your individual balance on or before Saturday morning you will get that many votes from persons who except for my interference would not be likely to vote that way."

Tweed's virtuosity in creating voters upon demand was not confined to New York City. George J. Magee, of Watkins, New York, in Schuyler County, wrote Tweed confidentially on September 16, 1868:

> Enclosed I send you two lists of names forwarded from Tioga County, Pennsylvania, of Irishmen who desire their full *naturalization papers*. We cannot procure them in this section or in Pennsylvania. Cannot it be done in New York? To be of any service to the cause they should be obtained at once and for use on the second Tuesday of October. We need every vote at that election. These papers should be dated back from December to July last. Most of these have been in the country five years and none of them less than three—but they would not get even their first papers owing to the war and a fear of drafts. Hoping that something can be done to secure these certain democratic votes.[13]

Then follow two lists of prospective "citizens", one of twenty-one from Bloss township, the other of forty-eight from Fallsbrook, Tioga County.

II

The destruction of the Tweed Ring has generally been credited to the New York *Times* and Samuel Jones Tilden. Of the two, the *Times* was by far the more sincere, consistent and effective. George Jones was its proprietor, and the Englishman, Louis John Jennings, his editor. Greatly aided by the crusading cartoons of Thomas Nast in *Harper's Weekly*, they encompassed the downfall of the thieves. It has been rightfully claimed that Nast's cartoons were "more effective in reaching the public than all the legal learning of Tilden."[14]

[12] See Nevins, *op. cit.*, pp. 180 *et seq.*

[13] Tin Box, from Falls Brook Coal Co. Watkins is now Watkins Glen.

[14] Alexander C. Flick (ed.), *History of the State of New York* (New York, 1933-1937), VII, 151-154. These public-spirited citizens spurned attractive bribes to forego their exposures.

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The first gun was fired by the *Times* on July 8, 1871, based upon information given to Jennings toward the end of May by ex-Sheriff James O'Brien, a mendacious Democratic hack with swollen personal ambitions. O'Brien had at one time been a rival of Tweed's, but, after unsuccessfully seeking to inspire factional revolt, had become reconciled with the Boss. It has been believed that O'Brien's treachery, all to the good of the community, was the result of personal ambition, jealousy, and resentment against being shunted into the background by the Ring. The Tin Box, however, limns in some significant details. Between September 1869 and May 1871, we find $23,000 in four cancelled checks of Tweed's paid to O'Brien's order; two each in the sum of $6,000 against the Tenth National Bank, one of $5,000 and one of $6,000 against the National Broadway Bank. Added to this was the real spark: Tweed had loaned O'Brien $12,000 on a thirty-day promissory note, dated May 1, 1871 and due therefore on the following June 1. On June 3, O'Brien flatly refused to pay. The note and a bank protest of the Tenth National Bank are attached, the latter paper notarized by Tweed's partner, William Edelsten. It is reasonable to assume then that O'Brien welshed, pocketed a cool profit of at least $12,000, and found the best solution in simply presenting transcripts of the comptroller's records to the *Times*. At the same time, he would dodge any possible litigation, would be regarded as a political reformer and his hated rival would be eliminated. Of such bits of calculated ferocity reform movements are sometimes made.

New York finally turned on Tweed. The exposures and the vile condition of the city had overcome the moral inertia of its citizens. Civil suit was brought against Tweed on October 25, and his bail was set at $2,000,000. This was quickly provided, Jay Gould furnishing $1,000,000, probably in gratitude for a loan of $100,000 which he had received from the Boss in 1869.[15] Only with the aid of fraud at the polls was the Boss able to achieve reëlection to the State Senate in 1871, but the following December 16 he was arrested and tried on a criminal charge. The jury, however, disagreed. An aroused community rallied in 1872 to sweep into office the Republican candidate for mayor, William F. Havemeyer, and the remainder of the ticket. The Republicans carried the state as well.[16] At last on November 19,

[15] Tin Box. The date was sometime before October 29, 1869. Gould had deposited railroad bonds as collateral.

[16] The complicated local political picture of that day, together with accounts of the short-lived Democratic reform movements that arose to challenge Tammany, will be considered in the author's forthcoming biography of Whitney.

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1873, Tweed was found guilty of fraud in his second criminal trial, fined $12,550, and sentenced to twelve years' imprisonment. A generous Court of Appeals reduced the sentence to one year and a $250 fine! Two years later, suit was brought against Tweed and Sweeny by the state of New York. Attorney-General Champlain had authorized Charles O'Conor to commence the actions. The New York Court of Appeals, however, decided that New York State could not prosecute for New York City. A law that same year (1875) remedied this, and O'Conor brought suits anew against Tweed and Sweeny, only to be forced to retire in December 1876 because of ill health.

As we know, however, Tweed in the meantime had fled the Ludlow Street jail on December 4, 1875 and had made his way eventually to Spain in dramatic fashion. There he was apprehended in 1876, when recognized through some of Nast's caricatures of him, and returned to the Ludlow Street jail in November, where he died on April 12, 1878. His end marked the sorry failure of the state to recover even a reasonable part of his defalcations, or to use his proffered testimony to incriminate his fellow-conspirators. His value as a witness had been wasted, and his wealth remained virtually unmolested.

* * * * *

In connection with Tweed's downfall, the Tin Box contains some tantalizing items. In one envelope marked "Charities, Donations, etc.", there are eighty-seven of Tweed's cancelled checks and one promissory note, payable to the order of various persons. The distribution of these sums, totaling $288,805, during the years 1866 to 1873 is as follows:

1866	$ 16,725.00
1868	994.10
1869	3,100.00
1870	163,591.97
1871	98,678.16
1872	5,553.60
1873	162.17

Presumably among them—if we may believe the legend on the envelope—were many charitable contributions. Tweed's motives, however, were more probably the mendacious ones of bribery, and of corralling the votes of the poor. Whitney himself declared this envelope to be political dynamite, and, acquainted with the inside facts as he was, he must have had a good reason. Tweed's check for $10,000 on January 18, 1869 to Isaac Bell, Commissioner of Public Charities and

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Correction, might have been to bolster Tammany's strength in the impoverished sections of the city.

The term "Donations" covers divers activities. The augmented sums listed in 1870, *when the Board of Audit was created*, would indicate payments to satellites, lobbyists, and conniving contractors coming in for their shares. In 1871, after the *Times* had swung to the attack, the checks might have represented assignments of deposits in the National Broadway and Tenth National Banks among various friends, to prevent the funds from being attached and seized in the event of successful prosecution against him. On June 14, 1871 Tweed signed a sixty-day promissory note for $25,000 payable to H. N. Smith. Was he now being forced to retrench and borrow for legal expenses? We know that Tweed, anticipating arrest, had quietly begun to transfer his property, realty and stocks. He had disposed of four million dollars in this way. Only the day before his arrest he had transferred $975,000 in real estate. His son Richard had received much of this wealth.[17]

The falling off of charitable contributions in 1872 is understandable; and in 1873, with Tweed convicted of criminal charges in November, the checks fell to the vanishing point. Indeed, three days after Tweed's conviction, his son Richard in turn conveyed to Elihu Root four lots on the south side of 84th Street between 8th and 9th Avenues, for the nominal consideration of $20,000. Moreover, in December 1870 and July 1872, James H. Ingersoll, a member of the "Ring", had also conveyed property to Root for the nominal consideration of $10,000.[18] Root was to come in for savage and prolonged criticism from his political enemies and from a hostile press for these transactions. But, as Tweed's partner, Edelsten, reminded Root many years later, the lots were turned over in lieu of a fee "you had so well earned."[19]

III

Tweed's power is not yet fully appreciated. He was far more influential than was generally believed. The Tin Box contains letters which show the extent of his activities in local, state and national affairs. As early as August 31, 1866, S. S. "Sunset" Cox arranged for Representative Samuel J. Randall to meet Tweed the following

[17] New York *Times*, Oct. 27, 1871.

[18] New York *Tribune*, Oct. 30, 1898.

[19] *Root Papers*, E to R, 232 W. 131 St., Aug. 15, 1908.

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day, "to know Who's Who." Within the next five years both apparently learned to know him so well that they could importune him repeatedly in 1871 for contributions to the Democratic Congressional Committee which had incurred a deficit of $3,000. The Boss had already given $5,000, but, on March 22, Congressmen Randall and Henry W. Slocum wrote from Washington appealing for further funds. Cox asked Tweed to donate $3,500, but a week later in another letter disclosed that he had as yet not received the money, and that he had paid $1,500 of the debt himself.[20]

No political boss can long exist without doling out the plums to the faithful; and Tweed was not an exception. On December 24, 1867, one Robert Finery wrote to him:

> Will you be kind enough to keep your hooks out of Brooklyn political appointments, or our gang might not go for your man for Governor next Fall, to wit John T. Hoffman, not being afraid that you could accomplish anything but it would be more pleasant for us to know that you are not interfering.

But Tweed did not have to bother with Brooklyn. He could conduct a brisk appointment brokerage elsewhere, among prominent clients. On May 11, 1868, that towering reformer and Tweed's mortal enemy three years later, Samuel Jones Tilden, meekly asked the Boss to find a place for Samuel Allen, "a very old friend of ours." In the Tin Box, there is also a cancelled check for $5,000, dated September 8, 1868, to cover party campaign expenses, made out by Tweed to his own order and then endorsed on the back to Tilden. Tilden lost no time depositing the money in the Bank of North America.[21]

Robert B. Roosevelt, a member of the New York Commission of Fisheries and an outstanding civic reformer, wrote Tweed from 32 Beekman Street on April 12, 1870, "Do not forget to put through our fishery law"; and then thanked him on May 10 for having done so. But most startling was an invitation to Tweed from New York's first citizen, Peter Cooper! On May 28, 1870, Cooper asked the Boss to attend the annual commencement at Cooper Union that evening. "It would give me great pleasure to have you present on the platform. . . . Hoping that you will lend your presence to the occasion." These men were clearly aware of Tweed's character, and must have

[20] Tin Box, C to T, from Washington, D. C., March 12, 15, 23, 1871.

[21] Tilden was forced to confirm this relationship with Tweed on the witness stand in the state suit against the latter. The check and correspondence were brought into the light. See New York *Daily Register*, Feb. 29, 1876.

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had better than a suspicion of his corrupt activities. Yet both were overcome by horror and choked with indignation when the *Times* broke the scandals.

Others were also in close touch with Tweed. Daniel Manning, attorney for, and later owner of, the Albany *Argus*, who became Secretary of the Treasury in Cleveland's Cabinet, consulted carefully with him on upstate politics.[22] Jay Gould, then president of the Erie Railroad,[23] asked Tweed on January 24, 1870: "Please see that Freeman of Binghamton does not get the appointment as Canal Collector at Binghamton. He is very abusive and bitter at Erie." Gould had other ways of seeking friendship for Erie. He had furnished passes, he wrote Tweed, to every member of the New York Assembly.[24] So great was Tweed's power that John Roach, president of the American Iron Works, was forced to write to him in 1869 begging for money due him for work done on the Harlem River Bridge.[25] Nor did young politicians, eager for a future, neglect the Master. David Bennett Hill, later to become governor and to emulate Tweed with no little success, wrote him on November 20, 1871: "Although a week has elapsed I have heard nothing from you in reference to my offer. What do you say?"[26]

Tweed had built his machine carefully, and he had demonstrated that he was well versed in political psychology. Instead of seeking to control the graft exclusively and to his sole gain, he spread it wide if not thin. The "Ring" was a corrupt pyramid, and the base was broad to insure maximum contentment, political support and financial gain. He was responsible for a large increase in the salaries of the city's judges, and this bound them to him with even stronger ties.[27] Generally, he carefully debauched the judiciary: witness

[22] Tin Box, M to T, from Albany, Nov. 1, 1870.

[23] The railroad's offices were then at 8th Avenue and 23rd Street.

[24] Tin Box, G to T, New York to Albany, April 24, 1869.

[25] Tin Box, R to T, from firm office at 9th Street, foot of East River, April 28, 1869. Seventeen years later Roach was to implore Whitney, then Secretary of the Navy, for acceptance of the dispatch boat, *Dolphin*, which he had built for the Navy and its resulting payment therefor. Whitney's refusal was to precipitate a famous controversy and to expose Roach's business methods and his dealings with Whitney's predecessor, William E. Chandler.

[26] Tin Box, from law office of Smith & Hill, 149 Water Street, Elmira, N. Y.

[27] Tin Box, Anthony L. Robertson to Tweed, Jan. 24, 1868. It is interesting to note that 51 Chambers Street and 120 Broadway were already congregation points for the city's legal profession.

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Cardozo and Barnard. James C. Spencer of the State Supreme Court wrote him on October 27, 1871, at the time of his trouble: "All my professional and personal ability or influence is at your service at all times and upon all occasions."

The Corporation Counsel's office was another valuable adjunct to Tweed. Richard O'Gorman and Thomas C. Field had been pliant tools, the latter writing the Boss on January 2, 1870: "I beg to say that it will be my pleasure to at all times attend promptly to any suggestions you may make whereby this office can in any way aid you." E. Delafield Smith, a "Tweed Republican", was so glaringly incompetent, that he had to be removed by Governor Tilden in 1875, Whitney being appointed to take his place. Tweed's tentacles had indeed penetrated their way throughout the fabric of municipal government.

Finally, like all corrupt machine politicians, Tweed was both sensitive to criticism and aware of the psychological value of a favorable press. He was incapable of meriting journalistic support solely on the basis of his personal qualities or his political principles. But there were other ways. With remarkable cunning he managed to put newspaper editors into his debt. Both M. M. "Brick" Pomeroy of the New York *Democrat* and Joseph Howard, Jr., editor and proprietor of the New York *Star*, owed him money or hoped for loans; and their letters in the Tin Box show how beseeching they were. Any favor extended to them would naturally mean favorable editorials which in turn would also mean city advertising in *their* papers—although Pomeroy had to send letter after letter to get his bills for city printing approved. On April 23, 1872, Howard begged for a loan of $1,000, and a telegram to Tweed the next day shows that he had gotten it. It is significant, also, to note that these journals became Tammany house organs, not alone during Tweed's régime, but for years afterwards. Tweed was also close to Benjamin Wood, owner of the New York *News*, according to letters which passed between them during 1869-1870.[28] Another conspicuous example of this *mésalliance* was the New York *Commercial Advertiser*. Its owner and editor was Hugh J. Hastings, who was in the confidence of the Tweed Ring, and had even been one of the guarantors on the Boss's bail bond late in 1871.[29] The *Commercial Advertiser* could never forgive Whitney for his part in helping to overthrow the "Ring",

[28] Tin Box. The *News* was located at 19 City Hall Square.

[29] Tin Box, H to T, Nov. 11, 13, 14, 1871.

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and later for his activity as Corporation Counsel in prosecuting Tweed. It hounded him for years in its columns, with an unrelenting personal malevolence. It was a little more subtle than the *Star*, which later became the personal sheet of John Kelly, Tweed's successor in the Wigwam. Where the *Commercial Advertiser* was sly and insinuating, the *Star* was positively poisonous and libelous; but the attitude of these journals clearly demonstrated that their policies had been so strongly conditioned in favor of a corrupt Tammany as to make one suspect some secret basis.

IV

The career of Tweed has pertinence for Americans today. "Boss rule", despite complacent apologists, is not indigenous to democracy. The minor, spurious philanthropies of corrupt leaders do not excuse their rapacity and thefts. Political machines, designed originally for political efficiency, become political masters only when citizens are apathetic and negligent. Through loans and bribery, through graft and corruption, through partisan and inferior appointments and through control of the press, the machine may flourish. Those who are not vigilant and concerned for their liberty may be duped by demagogic oratory, visionary goals and smooth promises, or they may be stampeded by appeals to their passions and prejudices. Tweed Rings are politically expensive and wasteful, but their worst menace lies in their destruction of civic obligations and decency, in their inculcation of cynicism among the voters and in their creation of an indifferent citizenry which will passively accept on a national scale what it would not control on a smaller scale. A totalitarian form of government is still the easiest anaesthesia for a defeatist, disintegrating citizenship.

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REVIEWS

Nationality in History and Politics: A Study of the Psychology and Sociology of National Sentiment and Character. By FREDERICK HERTZ. New York, Oxford University Press, 1944.—x, 417 pp. $6.50.

Frederick Hertz is an indefatigable and outstanding student of the crucial phenomenon of nationalism, which, while unfortunately neglected or ignored by most social scientists, has been a major factor in producing the tragic havoc of our days. Already, as a young man, he had combated in his *Recht und Unrecht im Boerenkrieg* (1902) the Pan-German propaganda aimed at preparing the German people for war against Great Britain. In 1926 he contributed to the *Archiv für Sozialwissenschaften* an illuminating survey of the literature on the development of "national character". In 1928 appeared in English his *Race and Civilization*, a solid and judicious critique of racial doctrines. In 1937 he brought out the first volume of his *Nationalgeist und Politik*, treating especially and with fine scholarship of the history and psychology of German nationalism under Bismarck and William II.

For obvious reasons Dr. Hertz has had to continue his nationalist studies as an exile from supernationalist Germany; and the volume now before us emanates from his residence at All Souls, Oxford. It is an important work, carefully annotated and displaying the author's familiarity with an enormous range of historical and sociological literature, and marked by notable objectivity and critical acumen. It is, however, not so much a systematic treatise as a series of essays, loosely constructed and a bit redundant, but containing a wealth of suggestive materials for a later *magnum opus*.

After an introductory chapter, analyzing "national consciousness" and the idea of "national personality" and "national character", a half of the volume is devoted to interrelating "national consciousness", in turn, with race, language, religion, territory, state, and

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"national will". Then, after a brief chapter on the economic and social background of modern nationalism, a concluding third of the book outlines the development of different national ideologies since the Middle Ages, chiefly in England, France and Germany.

Human groups, including nations, are kept together and actuated, Dr. Hertz holds, by three types of motives: traditions, interests and ideals. "National consciousness" is defined as a combined striving for unity, liberty, distinctiveness and prestige, or a striving for "national personality"; and when this is developed it constitutes "a nation in the political sense". There can be, however, no nation without a "national will", which, through "the work of a leading élite, ruling class, or party", must "be accepted, or at least tolerated, by a considerable section of the nation which must have the ability and power to make this will prevail within the nation."

Dr. Hertz argues against the existence of "national characters", cogently citing the wide diversity of individual characters and cultural traits in each nation, the absence of any very marked and decisive differences of such characters and traits between nations if comparable social types only are compared, the frequent and fundamental changes which have taken place in views held at different times of the character of specific nations, and the fallacious racialism involved in the concept of national character. He does not deny or belittle the existence of differences between nations or between national ideologies, but he rightly ascribes them to differing "national traditions", in other words, to historical circumstances. He would expurgate from writing and speaking the phrase "national character" and substitute for it "national tradition" or "national mentality". Why not "national reputation"?

The author, being well versed in history, is fully aware that national consciousness, in some degree, has characterized human beings in primitive society, in antiquity, and in the Middle Ages, as well as in modern and recent times, but that the vital question for the student of nationalism "is not whether a certain national feeling existed at all at a given time, but how strong it was in relation to other forces." Only in modern times, and chiefly since the eighteenth century has it outweighed all others and become the nationalism with which we are now familiar. While Dr. Hertz demonstrates that this is "not the product of one age, nation, class, party, religion, or philosophy," he offers some very interesting speculations on why Western Christianity provided particularly favorable soil for the growth of national consciousness, why this growth reached first fruition in England, and why

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in general certain sections of the population, for example, " the military caste " and " the intelligentsia ", have led in fostering it.

The economic factor in the rise of nationalism, though not ignored, is treated lightly. The author especially opposes such theories as that nationalism is dependent on capitalism, that the working classes are naturally antagonistic to nationalism, that Communist Russia has solved the problem of nationalism. "The view that aggressive nationalism and wars were exclusively due to capitalism ", he says, " has made many people blind to the forces which really make for war." Bolshevism, moreover, has subordinated the principle of national self-determination to the interests of Russia and communism, has developed and employed new techniques of compulsion and terrorism, and has everywhere split and weakened the socialist and democratic movements which otherwise would have been a counterweight to aggressive nationalism. " The Bolsheviks showed how small a minority by ruthlessness and rude propaganda could rule an enormous country without granting any political liberty. . . . The Fascists have learned this lesson from the Bolsheviks, and the proletarians Mussolini and Hitler became the disciples of the intellectuals Lenin and Trotsky."

Dr. Hertz is skeptical about the ability of small nationalities to maintain independent national states, and well he may be in the light of what has happened since the wholesale application of the principle of national self-determination in 1919-1920. As he succinctly remarks, " small states had a better chance of surviving at the time when the European equipoise and free trade were still in force." He immensely regrets the dissolution of the Habsburg Empire and perceives the only future hope for small national states in their incorporation in strong regional federations.

It would be strange if any two students in such an extensive and uncharted field as that of nationalism should see exactly eye to eye and unqualifiedly endorse each other's work. With many of Dr. Hertz's views and statements I find myself in full accord. From a few, however, I dissent. My main dispute with him would be over nomenclature. While rightly concluding that the first step toward a proper understanding of nationalist phenomena must be " the working out of an unambiguous and suitable terminology ", he seems to me, in his actual use of the terms " nation ", " nationality ", and " nationalism " throughout the body of the book, to be confused and confusing. Much of the confusion arises, I think, from the arbitrary limitation he puts on the meaning of the word " nationalism ". He here follows French and Italian usage of the last generation and restricts " nationalism "

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to a "a specific form of national consciousness centered on superiority, prestige, power, and domination." By thus rejecting the word's broader meaning which is usual in English and which I have employed in my writings, Dr. Hertz has to find some other word to describe the many historic movements which have consciously aimed at uniting feudal and city states, or breaking polyglot empires, into national states and which have been attended by nationalist ideologies (cultural and political) such as those propagated by British Traditionalists, French Jacobins, German Romanticists, the Italian Risorgimento and the fathers of Pan-Slavism, as well as by Fascists and Nazis. He usually prefers to call these movements and this propaganda (except Hitler's and Mussolini's) "national consciousness" or "developed national consciousness", terms which, in my opinion, are much too vague and which connote a passive acceptance rather than an active effort. Sometimes, however, he, like Mazzini, employs for what I would style "nationalism" the word "nationality", as if this represented a means instead of an end, an aspiration instead of a fact. Occasionally, in discussing nationalist phenomena, he even falls back on the extremely ambiguous word "nation", but, as if to create the utmost confusion, he elsewhere includes as "nations" the medieval city-states of Italy, the Hansa, and the Low Countries.

I quite sympathize with Dr. Hertz's aversion to Hitlerism and fascism, and am more than willing to regard the nationalism which they exemplify as peculiarly evil and as meriting some special qualifying adjective. But I cannot believe that theirs is the only "nationalism". I strongly suspect that there will be very much nationalism in the world after Hitler has been disposed of.

Apart from the matter of terminology, I have only minor disagreements with Dr. Hertz. I would place different and greater emphasis upon language as a determining mark of nationality, and less, perhaps, upon "a contiguous territory". I doubt, moreover, whether nationalism has "always" been powerful in Japan, and whether the nationalism of the *Action Française* has "had no success at all." I question, too, the author's judgment on Fichte's contribution to "liberal" national ideology; it seems too favorably one-sided, though apparently it has been poor Fichte's lot, like the Apostle Paul's, to become all things to all men.

The book concludes on a modest and somewhat pessimistic note. This is the way in which any first-class study of modern and contemporary nationalism should conclude.

CARLTON J. H. HAYES

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Price Making in a Democracy. By EDWIN G. NOURSE. Washington, The Brookings Institution, 1944.—x, 541 pp. $3.50.

This book is concerned with private price making, consisting chiefly of advice to business men on how to keep prosperous. The advice comes from a generally orthodox economist who, accepting "profits" as the indispensable incentive and energizer for economic effort, wants business kept in private hands, without much public regulation. He further acknowledges a bias in favor of democracy. He believes that present-day business men generally share that bias; or, at any rate, that they can be made to see that business will be largely taken out of their hands unless they are willing and able to prosper in a democracy. His democratic goal is a community in which all well-disposed citizens, as producers, work as steadily as they please in tasks they like and, as consumers, share substantially in the comforts and pleasures of a modern industrial society. Thus the book seeks the sort of price making that is most likely to keep private enterprise prosperous, relatively free, and democratically acceptable. The advice serves equally well whether it is taken as an appeal to public spirit or to intelligent self-interest.

The author argues that prices are no longer determined chiefly by free competition among individuals (if they ever were). In large sections of our economy, prices are collectively fixed—by governments or by small groups of business men. If we extend public price fixing very far we are likely not only to lose the productive benefits of voluntary effort—whether spurred by selfish or by altruistic motives—but also to put in jeopardy some essential bulwarks of our political freedom. The author's way of having private price making serve both democratic and business ends is that of low prices. Prices should be reduced as fast as lowered production costs, made possible by technological improvements, permit. The main objective is to get purchasing power into the hands of those who will use it for purchases. When an employer, after reducing costs by installing labor-saving devices, maintains prices at their former level, he increases immediate profits only by risking future profits because he does not use any of his profits to spread purchasing power. He cannot spend most of his profits on himself; and if he invests them in new enterprises he increases the volume of products without increasing the power of consumers to purchase the products. If he would lower his prices, thereby selling more of his products, he would still increase his profits and could then

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safely re-invest them with the expectation of finding increased markets for the increased production.

Here then is the sequence made familiar in earlier Brookings studies: lower prices encourage greater consumption which makes profitable larger production, which, in turn, creates lower unit costs and so greater profits. In this manner the benefits of industrial progress may be distributed both democratically and "profitably". Dr. Nourse (Vice-President of the Brookings Institution and former President of the American Economic Association) explores this theme comprehensively, considering the areas in which a low-price policy can be most readily applied, the timing of price changes, and the practical aids to rational price making. He believes that business men may soon discover the private and public advantages of low prices. From their market analysts, cost accountants, and public relations experts they are learning how to serve long-run as well as immediate interests.

Some economists believe that Dr. Nourse overrates the effective disposition of business men to sacrifice immediate and certain to remote and contingent benefits. The individual business man often believes he must seize the present hour. Even a large business concern may not feel assured that other concerns will look as far ahead as it does. On the other hand, consumers may fear the power of combinations that are strong enough to dispel this mutual distrust among business men. Thus governmental aids and restraints may be needed to secure the pricing agreements that will be both effective and safe. Some economists believe that government has other and better means of playing its part in democratizing purchasing power: it can break up the combinations that keep prices high; it can manipulate its monetary and fiscal policies to maintain full employment; or it can redistribute the national income by means of social insurance, progressive taxation, and a maximum limitation on individual incomes.

Dr. Nourse is not sure that business as a whole will adopt the low-price policy he proposes. He shows that some well-known business men have followed this policy successfully and he offers detailed evidence to support his argument that the policy can be more widely followed. He is sure that business must look far ahead and at the public effects of its price making. He writes persuasively, applying some of the logical patterns of orthodox economics to the conditions of our day and considering widely the relevant facts. In his search for a way to preserve private enterprise, by harnessing it to economic democracy, his method is to consider, not how natural economic men acted in an earlier society, but how actual business men may act wisely in

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an existing society. He realizes that private enterprise is not necessarily free enterprise and that anyone who undertakes to treat economic and political problems apart from one another is not likely to contribute much to the solution of either.

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International Monetary Cooperation. By GEORGE N. HALM. Chapel Hill, The University of North Carolina Press, 1945. —x, 355 pp. $4.00.

This is an admirably organized book, lucid, well written, and apparently very carefully thought through; but largely beside the point. The author has a thorough grasp of international payments problems and a clear view of the analytical points involved. He is a native of Germany who has been in this country for only eight years; he deserves to be especially complimented both on the lucidity of his exposition and on the clarity of his style.

The purpose of his otherwise admirable effort is a pseudo-scientific one. He makes it clear in several places that his aim is propaganda in favor of the Bretton Woods Agreement. For instance, he says: "The following pages are intended to support and to recommend the Agreement as a fine, well-balanced document which is moderate and progressive at the same time and whose position in the very center of widely differing viewpoints should be acceptable to all but the most extreme" (p. 10). On the same page the following sentence occurs: "Concerted effort, good will, and the democratic process by which the Agreement has been arrived at are in themselves already a great accomplishment." The heading is: "A Democratic Solution".

Intellectually the Agreement is a compromise all right, a nostalgic plan that tries to please both the orthodox and the authoritarians. There was nothing of a compromise about the method of negotiating this Agreement among forty-four nations; it was certainly not arrived at by concerted effort, good will, and the democratic process.

The Agreement may be described as a compromise between Lord Keynes and Mr. Harry D. White. Beyond that it was largely a "take it or leave it" proposition. The instructions by President Roosevelt to the American Delegation at Bretton Woods restricted them to the joint statement of principles of April 21, 1944. About the only contribution of the Conference itself at Bretton Woods was the notorious battle of the quotas, which has received ample comment and resulted in one of the most glaring dangers to the Fund.

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The author's analysis of the International Monetary Fund itself is thorough, systematic and enthusiastic. About the only point on which he expresses hesitation is the well-known difficulty regarding "fundamental disequilibrium" in Article IV, and the related problem of the rights of the management under Article V.

There is a latent conflict between Article IV, Section 5(f) and Article V, Section 5. The former makes it clear that the Fund cannot object to a proposed change in exchange rates because of the domestic social or political policies of the member proposing the change. The latter, dealing with borrowing from the Fund, only refers to members "using the resources of the Fund in a manner contrary to the purposes of the Fund." It is not clear whether import surpluses resulting from a large domestic boondoggle are excluded by inference or not. Dr. Halm sees that "it is not always easy to prove that a member is using the resources of the Fund contrary to the Fund's purposes" (p. 66). He indicates the latent conflict between the two Articles and he ends this discussion by saying that "it is not easy to see what measures are to be recommended for more normal deviations from equilibrium . . . if our assumption is correct that price, wage, and credit policies would be taboo" (p. 69).

Dr. Halm's analysis of the Keynes Plan is masterly. He points out that "Obviously Lord Keynes no longer considers a one-sided gold flow as deflationary since it would be superimposed upon the credit facilities of the plan. But for the United States it would be a reason for alarm lest she be faced with the prospect of becoming forever the world's dumping ground of gold."

He quotes the following passage of the Keynes Plan: "Nor is it reasonable to ask the United States to demonetise the stock of gold which is the basis of its impregnable liquidity. What, in the long run, the world may decide to do with gold is another matter." The author's comment on this is very much to the point: "The United States' impregnable liquidity rests on a much stronger foundation than gold, viz., on her position as a creditor country. It is, however, somewhat alarming from the viewpoint of the United States to be invited, first, to absorb plenty of more gold and, then, to face with equanimity 'what, in the long run, the world may decide to do with gold'" (p. 148).

Owing to her immense war and Lend-Lease efforts, the United States is now a debtor country both in terms of total assets and in terms of current payments. This consideration makes the author's excellent point all the more telling.

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He also emphasizes the Russian interest in our maintaining indefinitely a gold standard. He points out that

> An even stronger case for gold and the maintenance of a world market for gold can be made by a gold producing country which has, at the same time, a well-nigh insatiable demand for imports. . . .
>
> Russia, the second largest gold producer, finds herself exactly in this position. She is interested in the maintenance of an industry which, under gold standard conditions, is ideally suited to produce foreign exchange at low costs and with no risk involved. Nothing could be more desirable for a planned economy. . . . (pp. 151-152).

Dr. Halm's book furnishes a good illustration of how inadequate economic analysis can be for the proper determination of economic policy. His study is very much like the International Monetary Fund itself: a masterpiece of acute analysis, lacking in strategic sense.

True enough, in a textbook world, among men of good will and under normal conditions, an international monetary fund might be a delightful intellectual gadget, somewhat like the practice of central banking during a secular uptrend. The greatest weakness of the International Monetary Fund is, however, that its proponents want to start it at a time of turmoil.

The author disposes of the dangers of the transition period ahead of us in a remarkably cavalier and backhanded manner by saying that "the key countries approach denies to those countries which are most in need of it (and when they are most in need of it) the help which an international monetary organization could offer" (p. 167).

The point of the critics is exactly that an international *monetary* organization which tried to help these needy countries during the transition period would merely drown itself in weak currencies. These countries can be helped only by *long-term* lending; short-term credit is an inappropriate remedy which can lead only to default.

The author is so anxious to prove that Bretton Woods is a work of art that he fails to investigate whether the Agreement is desirable from the viewpoint of the United States.

The question of a good bargain for the United States is not one of petty advantages. The United States has a legitimate and major interest in multilateral trade, in the security of long-term capital investments abroad, and in the reversal of the world toward relatively free economic systems. The American negotiators went to Bretton Woods with roughly $6 billion to offer in exchange for counter-concessions. They claim to have obtained commitments for the

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abandonment of currency warfare as a method of economic policy and for the abandonment of exchange control as a method of restricting trade.

What they achieved with respect to competitive currency depreciation is more adequate than conservative critics have claimed. Dr. Halm is quite right that in so far as competitive currency depreciation of the 1931-33 type is concerned, Bretton Woods is a good solution. But we have to ask ourselves whether this is a serious hazard. Is it not much more likely that governments will try to stimulate full employment by deficit spending rather than by competitive currency depreciation?

Having been negotiated much too soon, at a time when none of the contours of the post-war world were discernible, the International Monetary Fund had to be drawn entirely by hindsight, with eyes riveted on the currency experience of 1931-33, practically to the exclusion of all other considerations. Competitive currency depreciation as an escape from deflation is an obsolete weapon; inflationary types of currency depreciation, on the other hand, only hurt their perpetrators.

In the elimination of exchange control as a trade control device, the American negotiators have obtained a shadow concession.

Foreign nations have retained full powers to practice direct restraints by import controls, quota systems, monopolistic buying, monopolistic selling, and so forth. It only depends on the import surplus countries how soon they choose to make the dollar a scarce currency, since the Fund cannot interfere in their domestic social and political policies, which presumably include deficit spending.

Moreover, during the transition period countries are explicitly permitted to retain exchange control. If during the transition period the Fund gets loaded up with weak currencies, which in the nature of its operations it will be almost impossible to avoid, the dollar will become a scarce currency even before wartime exchange controls are lifted.

After the transition period a Fund with more strictly defined short-term lending powers has a legitimate place in monetary affairs. The question is, will it ever get there?

A global solution of the Bretton Woods type is doomed to failure if it is enacted without very specific international understandings with respect to trade and investments, without genuine steps to make multilateral trade work, and without a major effort to solve the British post-war payments problem. Years of work are needed to accomplish these things. Some ideological unity, and a similarity of monetary

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ideas, are probably also indispensable, but as yet there is no trace of them. Meantime, we have made ourselves responsible for the success or failure of the Bretton Woods Agreement regardless of conditions over which we have no, or little, control.

Dr. Halm pays hardly any attention to the conditions necessary for the success of the International Monetary Fund, even less to the means to create such conditions. He advocates our accepting the Bretton Woods Agreement purely on the basis of theoretical predilections. That is why this otherwise excellent book is so largely beside the point.

I. DE VEGH

NEW YORK CITY

International Tribunals: Past and Future. By MANLEY O. HUDSON. Washington, Carnegie Endowment for International Peace and Brookings Institution, 1944.—xii, 287 pp. $2.50.

The United States and the World Court. By DENNA FRANK FLEMING. Garden City, Doubleday, Doran and Co., Inc., 1945.—206 pp. $2.00.

These two books are timely and important. Every delegate at San Francisco and every person seriously interested in international organization should read Judge Hudson's summary and analysis of the world's experience with international tribunals. Every citizen of the United States, especially the complacent ones, should read Professor Fleming's book and realize that peace is a battle to be waged and that the first campaign for the new peace is already well under way.

Judge Hudson's book is published jointly by the Division of International Law of the Carnegie Endowment for International Peace and the Brookings Institution—a happy marriage of sponsors. Judge Hudson was their obvious choice. In addition to many other qualifications there is the fact that he has been devoting his boundless energies for some time to amassing this body of experience and to discussing it with groups of colleagues and interested persons. He pays his compliments in warm and well-merited terms to the assistance of Mr. Louis B. Sohn.

The book begins with a quick running history of the evolution of international tribunals since 1794. A second part takes almost half the book to analyze in ten chapters the general problems of international tribunals—such topics as their jurisdiction, financing, pro-

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cedure, structure, applicable law. Part III deals with such "Specific Problems of the Future" as the future of the Permanent Court of International Justice and such suggested tribunals as those for prize cases, for international crimes, for claims, for loans, for administration. The conclusions are concisely stated in Part IV. There is a selected general bibliography supplemented by the bibliographical notes which are arranged, according to a convenient scheme, by the numbered paragraphs of each chapter. (Each paragraph is so much a unity the reviewer feels it is a pity that italicized paragraph headings were not used in the style which the Brookings has followed in other recent volumes intended for general reading.)

Foreword and Preface state that this is not a treatise for reference. It is written to be read and, with occasional exceptions, it is free from legal technicalities which might trouble a layman. At the same time the expert will find it stimulating. There are important sections of material which have not previously been marshaled so effectively.

Judge Hudson states that he has "attempted to subordinate his personal predilections to what appear to him to be the attainable goals of present-day effort." Naturally, as a member of the panel of the World Court he sees the central rôle of that tribunal; any other competent scholar would do the same. But the reviewer disagrees, in the interest of the World Court itself, with Judge Hudson's frequently recurring stress on the need to give that one tribunal a practical monopoly of the world's international judicial business. The point is carried to absurd lengths in the author's suggestion that all claims should go to the World Court or to a special chamber of it. Yet he notes that the two recent United States-Mexican Mixed Claims Commissions dealt with 6,000 cases and one of the Mixed Arbitral Tribunals created after the War of 1914-1918 had 30,000 cases before it. Periodically the volume of international litigation of this type is vast while many of the individual cases are trifling and should not engage the attention of the world's highest tribunal. The Permanent Court of International Justice does not need to fear rivals. The more special international tribunals there are, the more the habit of the use of all such courts will increase. Agreed that special or regional courts should be related to the World Court in some way. That court should have an expanded original and appellate jurisdiction. In the reviewer's opinion, Judge Hudson's view seems to reflect a skepticism about the development of international organization after this war; if the Dumbarton Oaks proposals do not ripen into a general international organization, then Judge Hudson's view might be sound, in large part

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because not enough competent men would be willing to serve full time as international judges.

To those skeptical about the existence of a body of law, which international courts can apply, I recommend chapter viii of Part II, especially pages 106-110. Equally important is the stress on the need for supplementary political and administrative organs; see pages 244 and 249.

At times I felt as I read the book that Judge Hudson was restrained by a sense of the fitness of utterance of a member of the World Court bench; there is a measured temperance in the statement of most positions. A very few of the author's private predilections may be detected—for example, the omission in text and index of the familiar term "Optional Clause".

The United States and The World Court, by Professor Fleming, is a polemic. It is obviously intended to be widely read, and it ought to be. The book covers a broader field than its title suggests. It is a vigorous plea for a change in our constitutional procedures in order to prevent a repetition of the use of the crippling power of the Senate in connection with the approval of treaties. It urges a constitutional amendment to change the present two-thirds rule. This plea for action comes at the end of a fast moving narrative of the action of the Senate from 1897 to the present with natural concentration upon the defeat of the League Covenant and the World Court Protocols. Professor Fleming can write such a book with a double-barreled advantage; he has already by his earlier works demonstrated his scholarship in this field and he writes in a vigorous style and with an intensity of feeling which carry conviction. The reviewer believes that such an author is entitled to say *de minimis non curat*. It is inappropriate in reviewing such a book to argue about details of commission and omission. With Mr. Fleming's general thesis the reviewer is in full accord and his case is well documented but the historian should not accept all that Mr. Fleming says here as the last word. Two general observations may be made. One observation is that Mr. Fleming seems occasionally to allow his quite justifiable irritation to obscure the fact that one of the prices we pay for a democratic system is the participation in government of many narrow-minded people who are put in a position to control the action of the United States in fields about which those persons know nothing at all. This is indeed an argument in favor of the abolition of the two-thirds rule, but there is still a need for constructive suggestions concerning the rôle of the Senate. Senatorial and Congressional representation in delegations to international

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conferences is becoming standard and welcome procedure. Some acceptance or adaptation of the British system of Cabinet responsibility, at least to the extent of Cabinet participation in Congressional debates, would be a move along the line which Professor Fleming might well sponsor. Nevertheless, this book, as it stands, is important reading for anyone who approves the participation of the United States in world affairs and who thinks it is now " in the bag ". When this book has stirred him to action, let him load his mind with arguments from Judge Hudson's book.

PHILIP C. JESSUP

Legal Effects of War. By SIR ARNOLD DUNCAN MCNAIR. Second Edition. Cambridge, at the University Press; New York, The Macmillan Co., 1944.—xx, 416 pp. 25*s.*; $6.00.

In brief and trenchant form this distinguished author has produced a second and greatly enlarged edition of his classic treatise that appeared in 1920. It is a brilliant and succinct portrayal of British judicial opinion on problems pertaining to war. Those problems relate to private as well as public law, and very many of them pertain to conflict of laws rather than to international law.

In the course of nineteen chapters the author discusses What Is War?; British Nationality and Alien Status; Procedural Status of Alien Enemies; Contracts: General Principles (excluding Frustration); Civil Status of Enemies other than Procedural and Contractual; Frustration of Contract; Trading with the Enemy; Particular Contracts—Affreightment; Agency; Bills of Exchange and Promissory Notes: Building Contracts: Shipbuilding Contracts; Companies; Employment: Guarantee; Insurance of Property and Life; Leases and Tenancies: Partnership; Sale of Goods; Solicitor's Retainer; Effects of Belligerent Occupation of Territory: Part I; Effects of Belligerent Occupation of Territory, Part II: Effects of Acts of Wholly or Partly Dispossessed Governments; Effects of Peace Treaties upon Private Rights.

In discussing the procedural status of the non-enemy in enemy occupied territory, the author adverts to the recent case in the House of Lords of V/O *Sovfracht v.* N. V. *Gebr. Van Udens Scheepvaart en Agentuur Maatschappij*,[1] to the effect that a company incorporated under the laws of Holland, having its principal place of business at Rotterdam, and carrying on business in Holland before and

[1] [1943] A. C. 203.

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after its occupation by Germany, is an alien enemy at common law so as to become incapable of suing as a plaintiff or other actor in an English Court; and he stresses the importance of this position in view of the present conditions in Europe (p. 53).

The author notes that while a corporation incorporated in a foreign State may also acquire for other reasons some other and additional national character, "there is an irrefutable presumption that at any rate the nationality of the State which brought it into being must be attributed to it" (p. 63). Chapter 11 concerning Companies contains interesting matter. The treatment of effects of belligerent occupation of territory in chapter 17 is of great interest. Particularly so is the author's discussion of the problem "What Amounts to Belligerent Occupation of Territory by the Enemy?" in the light of British and American judicial opinion (pp. 325-332).

The author is critical of the views of Clauson J. in the case of *Bank of Ethiopia v. National Bank of Egypt and Liguori*,[2] where the Chancery Division was called upon to decide whether the Bank of Ethiopia, a company incorporated by Ethiopian law, had been dissolved or had otherwise ceased to exist by force of a decree promulgated by the Italian government on May 9, 1936. The author states that the Court declined to accept the suggestion that any limitation could be placed upon the full sovereignty of the Italian government at the material times; and he declares that in this judgment the Court "invested a Government in belligerent occupation of the territory of another with a degree of power which it is difficult to reconcile with the rules of international law as accepted by this country, and moreover puts a premium upon aggression by the recognition which it gives to the decrees of a successful invader." He adds "From a political point of view this enlargement of the status of belligerent occupation is retrograde and much to be deplored. During the past century it was gradually made clear—and very much to the benefit of the inhabitants of territory invaded and occupied—that belligerent occupation is a provisional state of affairs and that it does not transfer sovereignty. That must await either subjugation or cession by treaty of peace" (p. 341).

In discussing the scope of a State's power to affect the private rights of its nationals, the author declares that "a State can validly bind itself by treaty to transfer to another State property of any kind belonging to its nationals, whether that property be situate within the

[2] [1937] Ch. 513.

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territory of the transferor State or not." He adds: "Undoubtedly a State can compulsorily acquire the property of its nationals, with or without compensation, and it is not surprising that international law should regard it as capable of alienating that property by treaty. This power seems to be based upon the ownership of its nationals rather than upon the physical situation of the property within the State's territory" (p. 393).

The foregoing excerpts serve well to reveal the character of the author's contribution. His offering will be of great value to the bar far beyond the limits of his country. He speaks convincingly and authoritatively. His book is, accordingly, receiving the hearty welcome which its learned author has earned for it.

CHARLES CHENEY HYDE

The Reconstruction of World Agriculture. By KARL BRANDT. New York, W. W. Norton and Company, 1945.—viii, 416 pp. $4.00.

This book, by one of the world's foremost agricultural economists, should be required reading for all post-war planners, A.M.S. officers with European assignments, members of Congress, international bankers, and urban editorial writers.

The reason for this prescription is eloquently stated by Dr. Brandt himself. Two out of every three people in this world still live and labor on the land. It is complete folly to plan for world reconstruction without taking them into account. Indeed any plan adopted at San Francisco or elsewhere that fails to regard them will collapse. Too few in an industrial nation like the United States realize even yet the extent to which agrarian unrest contributed to the carnage and destruction of the last half decade. We are in real danger of repeating serious mistakes.

Throughout the book Brandt reduces to rubble the misconceptions America holds with respect to the rural world, misconceptions based on happy but inaccurate slogans and on false assumptions growing out of our applying American experience with a largely industrialized society to a different and often more primitive world.

The book opens with three highly condensed chapters reviewing the effects of World War I upon world agriculture, agricultural trends during the twenties and from 1930 to the invasion of Poland. There follow appraisals of the impact of the present war upon the world's food economy and the rural community; of the probable conditions

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of agriculture when hostilities end; and of food requirements and agricultural adjustments necessary during demobilization. Of major importance here is the demonstration that Germany would not collapse from want of food.

The last four chapters look forward. There is a frank and realistic discussion of the basic controversial issues in a world agricultural policy for an era of peace. This is especially pertinent just now. America wants lasting peace but very few Americans realize that farm legislation already on the books has gone far to convince many statesmen from agrarian countries that, whatever our words, our actions will be isolationist.

Brandt sees the reconstruction of world trade as the basis for a reconstruction of agriculture, lays down a general orientation for a feasible course of such agricultural reconstruction and finally applies this to selected countries, mostly in Europe and the Americas, but with a few side glances at the British Commonwealth. Little attention is paid throughout to Asia and less to Africa.

Brandt properly maintains that in these times agricultural prosperity depends on industrial prosperity and that, in an expanding economy which an efficiently operated industrial society makes possible, the proportion of employed persons in agriculture should decline. He argues cogently for a world movement toward free trade to be brought about gradually over a period of years. He points out that in nation after nation the years of highest imports of both agricultural and nonagricultural goods have also been the years of highest and most profitable domestic production, both agricultural and industrial.

Undue tariff protection for agricultural producers in many nations is due to the fear of war and food blockades. If Dumbarton Oaks and San Francisco can overcome this fear, one reason for such uneconomic arrangements will disappear. With an expansion of industrial international trade there can be a broadening food market in importing countries without taking parts of a limited market away from the farmers of such nations.

Brandt alludes for instance to the opposition to banana imports from certain fruit-growing groups in the United States. He points out that actually the demand for domestic fruits grows with that for tropical varieties and that if there is any loss, it is to dry bean farmers.

In discussing the problems of agricultural reconstruction in Europe and the Americas, Brandt makes the best case this reviewer has seen for the family-size farm as against collective corporation farms or the privately owned and managed estate. Given equal opportunity

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there is no evidence that "family farming can be beaten in costs of production and in technical and economic performance."

He reminds us that even in many Axis-occupied countries farmers have prospered during this war and that some of the policies employed out of the very necessities of Germany, such as the "forward prices", now just being discussed in the United States as an alternative to some more objectionable policies, have been wise. He warns that the farmers concerned will not willingly surrender some of the advantages gained.

While he argues for policies he considers desirable, the author is a realist. He looks forward to continuing agricultural fundamentalism in the United States and to dangerous surpluses in a number of commodities, which leads him wisely to warn against the present enthusiasm over placing returned soldiers on farms. More important, he suggests ways by which we may mitigate the consequences of some of the domestic mistakes we in the United States seem likely to make.

One strength of the book is that the author does not view agriculture in a vacuum. He spends a great deal of time in tracing out the interrelationships between industry, credit and tariff policies, and agriculture, and vice versa. Moreover, he is cognizant of the larger social problems and objectives of the rural populations. This thinking he carries into the international field with equal clarity and warns that "International policy must not be built around a system of moral postulates addressed to other nations, but must inevitably begin at home."

EDMUND DES. BRUNNER

Peace Through Law. By HANS KELSEN. Chapel Hill, The University of North Carolina Press, 1944.—xii, 155 pp. $2.00.

This book, by a European jurist, is in effect a criticism of the Dumbarton Oaks Plan. That Plan regards important disputes between states as political, and provides for their determination by a Security Council unless the parties voluntarily arrange settlement by other means. It relegates the international court to a subordinate position, and limits its jurisdiction to minor disputes which it characterizes as "justiciable". The author says that, as insuperable difficulties prevent a World Federation, the practicable plan is to create a World Court with compulsory jurisdiction of all disputes between states. He thus adopts, although he nowhere mentions the United States Constitution, the idea incorporated in it in Article III, sections 1 and 2, that, as between the various equal and sovereign states in this country, the

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judicial power "shall be vested in one Supreme Court", and "shall extend . . . to controversies between two or more states". This means that all interstate disputes, including boundary disputes, are justiciable, and are embraced within the Court's compulsory jurisdiction, and that no disputes are excepted on the theory that they are political or cannot be decided by a court or according to rule of law. (*Monaco v. Mississippi,* 292 U. S. 313; *Rhode Island v. Massachusetts* 12 Peters 657; *Fong Yue Ting v. United States,* 149 U. S. 698, 729) It also means that the Court's authority and power spring directly from the people in the various states and not from the state governments, because the Constitution was adopted by the people in special conventions called for the purpose in each of the states. The Constitution was not based on treaties between state governments, which any state could break or ignore and thus veto the Court's decisions. (*Gordon v. United States,* 117 U. S. 698) Consequently the Court has authority and power, through its marshal and deputies, to enforce its decisions by direct action against any individual persons or state officials in the national community who, by resisting, have become lawbreakers. By this device, which was first suggested by Alexander Hamilton in *The Federalist* (No. XV, p. 141), a "preventive war" against an armed state, that is, against the whole people of a state, is never necessary. (*Virginia v. West Virginia,* 246 U. S. 565)

The judicial security plan is set forth in the security part of the United States Constitution. It functions independently of the common welfare or superstate part which creates an executive and a legislative body. The security rules of law which restrain the conduct, and define the spheres and limits of power and right, of the various governments and individual persons, and which the Court applies, are stated in the Constitution in permanent form. Therefore no independent legislative body is needed to enact them. Nor is any executive independent of the Court needed to enforce them. It would seem evident that this judicial security system should be extended to embrace all nations because it is the only security plan between equal and sovereign states which has ever proved to be effective in preventing wars. It does not require a Council or Assembly. It has a multitude of practical and theoretical advantages over plans like those of Dumbarton Oaks and the League of Nations Covenant. It does not require a state to give up any powers it now has excepting the right to use force outside its territory against other peoples. A state's inalienable right, if invaded, to use force in self-defense within its own territory is preserved, and its right in such case to assistance from all states is

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recognized. Under the present system, each disputing state alleges that its claim is just, but can enforce it only by war. Neither state has judicial power to decide the dispute. To create a World Court to exercise judicial power between disputing states would therefore merely establish law and order in an international "No Man's Land" in which no state now has rights or duties or any peaceful means of obtaining justice.

The author is not the first to suggest that an international court be established with compulsory jurisdiction over all disputes between states. The government of the United States, through Secretary of State Elihu Root, instructed the American Delegation to the Second Hague Conference in 1907 to propose that an international court, like the United States Supreme Court, be established, because arbitration had been proved by experience to be generally unacceptable and ineffective with respect to serious disputes. That Conference made a tragic mistake in not adopting Elihu Root's idea. The author suggests that the court be established by treaty or contract between states, notwithstanding earlier in the book he admits that the idea of creating a government or state by "social contract" has "long since been abandoned". The Supreme Court in the cases above cited held that the necessary basis for effective exercise of judicial power between equal and sovereign states is a direct grant of that power to the Court by the sovereign people, and not by state governments.

Alexander Hamilton stressed in *The Federalist* that use of the state, rather than the individual person, as the unit in a security system between armed governments would in every case require a preventive war for enforcement, and thus cause, instead of prevent, wars. Mr. Kelsen evidently appreciated this to some extent because he has a chapter entitled "Guaranteed by Individual Responsibility". He fails, however, to carry the idea to its logical and practical conclusion as Alexander Hamilton did, and limits his discussion to punishment of war criminals. He also suggests that the court apply the "law of nations". That law is now inadequate unless supplemented by security rules such as are contained in our Constitution. The author, rather irrelevantly, however, adds at the end a suggestion that an Assembly and a Council also be established, but gives no reason to show their necessity in a plan which is to be limited to security and is not to embrace common-welfare or general governmental purposes such as would be proper in a world federation or superstate.

JAMES W. RYAN

NEW YORK CITY

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Colonies. By ERIC A. WALKER. Cambridge, at the University Press; New York, The Macmillan Co., 1944.—viii, 168 pp. $1.25.

This little book is the twentieth of a series on "Current Problems" edited by Sir Ernest Barker. Like the others, it attempts to give in brief compass enough of the past to understand the present, the conditions as they are today and a glance at what the future may hold. The author makes his task simpler by excluding India and Burma from the picture as being so far on the road to autonomy as to be no longer colonies, though strangely enough the Philippines are not excluded on similar grounds.

There is no attempt to ignore the errors, the brutalities and the misgovernment of the past. But somehow the author moves so rapidly over the historical scene and lays such stress on the progressive developments of the last decades that the picture which emerges is tinted with a rather rosy hue. There are, moreover, traces of a natural British bias. If the United States has done well in the Philippines it is because the task was made easy by centuries of Christian-Spanish rule. The British, on the other hand, in the face of great odds have worked out a variegated colonial system where justice and the interests of the colonial peoples have either triumphed or are about to triumph. The British, too, according to Professor Walker, have accomplished wonders in the educational field. Some critics might here raise queries and object to the suggestion that the British colonial education is more successful than the French. But, on the whole, the author is informed, skilful and suave, and most of his discussion is frank, informative, and studded with useful facts and figures.

In his treatment of the present and future situations the author is perhaps inclined to minimize some of the difficulties. He does not adequately stress the problem of the replacement of plantation products like rubber by synthetics, nor the rising tide of native nationalism, nor the decrease in European prestige consequent upon the defeats of 1941 and 1942 in the East. Here too the exclusion of India and Burma from a discussion in which they might well have been included as test cases tends to make the future look simpler and brighter than it perhaps is.

But with Professor Walker's general conclusion many will be in agreement. Excluding the extreme solutions, such as independence for all colonies, or complete international administration, he tends to favor a return of the colonies to the former metropolitan countries. But he suggests likewise that there must be an international control much

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closer and much better organized than that exercised under the League of Nations. With some insight, he indicates that regional organization of colonies may introduce more complexities than it removes. In essence the theme of the book is that the future will prove moderately satisfactory only if the colonial Powers make the interests of native peoples their paramount concern and seek to administer and develop them by adopting the wisest, the most generous and the most liberal policies worked out by the English, the Dutch, the French and the Americans before 1940.

Charles Woolsey Cole

China Among the Powers. By David Nelson Rowe. New York, Harcourt, Brace and Company, 1945.—x, 205 pp. $2.00.

There has been much speculation recently about China's power to help maintain post-war security in the Pacific area, for the Chungking government's present military strength clearly does not correspond to its rank among the "Big Four" of the United Nations. With the purpose of estimating China's military potential in the light of facts rather than hopes, Dr. David N. Rowe of the Yale Institute of International Studies has examined various conditions that will serve to determine the future armed force at the disposal of our Far Eastern ally. On the basis of a succinct, coldly realistic survey, he concludes that for at least twenty-five years following the war China will be "most unlikely . . . to develop such technical capacity as to allow her to rely primarily on her own strength to guarantee her security" (p. 150). And the Chinese, he holds, would be in even less of a position to assume large military responsibilities for the maintenance of peace in Asia. These considerations lead him to stress the crucial importance of coöperation among the "Big Three" and of their agreeing on the issues involved in China's security problem.

The primary question before China in the post-war period will not be to use power already in its possession, but to come to grips with economic, political and social difficulties that stand in the way of modern nationhood. Dr. Rowe emphasizes the obstacles to military strength presented by China's landlord-dominated agrarian system, lack of skilled personnel, backwardness in industry and transport, moderate or unsatisfactory reserves of some important minerals, and customary political practices inherited from the days of the Manchu Empire. A large part of the book is devoted to purely technical factors entering into military power, but social and political influences

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are also given considerable attention. This many-sided approach is particularly welcome because there has been a tendency in some circles to hold that if China simply receives enough foreign aid after the war, a modern industrialized nation will soon result. Dr. Rowe recognizes the importance of aid from abroad, but does not gloss over the more basic question of China's internal organization. "A strong Chinese state", he says, "must in the final analysis rest upon the consent of the masses of the population" (pp. 150-51). But this consent will presumably depend in large part on such practical matters as "diffusing the ownership of land" and "alleviating the economic conditions of the peasantry" (p. 53). He notes that the "Nationalist government has yet to outline any program which will do this."

One weakness of the book is the author's failure to give adequate consideration to China's Communist areas and the possible effects of their policies on the country's strength. But by demonstrating the vital connection between China's social structure and military power, he has shown clearly that the United States has a deep and unavoidable interest in China's internal development along progressive lines. One might disagree with individual points made by the author, but his treatment is penetrating and scholarly. His book is a notable contribution toward the understanding of China's position in the world today.

FOREIGN POLICY ASSOCIATION LAWRENCE K. ROSINGER

Representative Bureaucracy: An Interpretation of the British Civil Service. By J. DONALD KINGSLEY. Yellow Springs, Ohio, The Antioch Press, 1944.—xii, 324 pp. $3.50.

For almost a century the British Civil Service has attracted American attention and has evoked a mixture of admiration and distaste. Professor Kingsley sustains the tradition; in fact his method raises the contradictory responses into high relief. Having devoted almost half of his book to a demonstration from British history "that administrative arrangements always reflect the character of the social structure of a nation," the remainder goes to a description and evaluation of the Service along those lines in recent times, accompanied fairly continuously by various "quarrels with existing arrangements." Part of these plaints arise from the truth of his first thesis combined with his dislike of a class society, and part from his failure to take the time lag in a nonrevolutionary society consistently into account. It is the oldest American dilemma—the attraction and repellency of British

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institutions—and it recalls the suggestion made recently at this University by Professor R. H. Tawney that a great many of the deceptive differences between Britain and the United States may be accounted for by the difference in the factor of size. Direct transplantations from one country to the other are notoriously unpromising and so is the direct application of American criteria to British institutions, or vice versa.

When an all-out American democrat voices his discontents with evolutionary British ways in an urgent, first-person-singular, pamphleteering fashion, he makes it difficult to weigh the scholarly merits of his work. In the interest of a sense of danger which is praiseworthy enough in itself, Professor Kingsley makes a number of rash or careless statements of fact and judgment which might well put off the informed reader whom he wants to influence, and the recurrent contradiction between his historical thesis and his present analysis is disconcerting. Yet in both the historical and the analytical parts of his book he has interesting and important things to say drawn from his often intimate knowledge of developments and problems since 1850. Moreover, his two main theses, while not new, are relevant to our time. Administration has tended in the past to reflect the existing structures of society and of power within it, and, when it has lagged greatly behind changes, dangerous situations have developed. Gladstone was expressing relief as well as satisfaction when he said of his support for the Northcote-Trevelyan scheme for a more efficient Civil Service in the agitated England of ninety years ago: "This is *my* contribution to parliamentary reform." Kingsley's picture of the present lag in Great Britain is an acute and informed one, but his emphasis exaggerates or distorts it quite sharply from time to time. All in all, the book seems most worth reading in terms of its concluding argument and warning "that bureaucracies are responsible today only to the extent that they are broadly representative."

One rather secondary historical criticism seems in order. It is that because of insufficient attention to the early Factory and Mines Acts, the Poor Law of 1834, early Public Health activities, and their cumulative effects in terms of officialdom, Professor Kingsley both misses the cornerstone of his historical edifice and exaggerates the triumph of laissez faire. In the thirties Poor Law officials were almost exact prototypes of the civil servants envisaged by Trevelyan, Macaulay and Northcote twenty years later, even to being chosen by competitive examination. After 1832, Southwood Smith and Edwin Chadwick,

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in the area of Public Health, raised the problem of the Civil Service technical specialist in such intense form that they were both retired just before the Northcote-Trevelyan Report of 1854-55. When free trade lightened the responsibilities of the Board of Trade and it was saddled instead with all sorts of novel burdens from railways and ships to joint stock finance, it had to recruit the new breed of engineering and financial experts if only in self-defense.

J. B. BREBNER

Trends in European Social Legislation Between the Two World Wars. By ALEXANDER LORCH. Éditions de la Maison Française, 1943. Volume III of publications of the Institute of Comparative Law, École Libre des Hautes Études, New York.—148 pp. $2.00.

This study deals with the reforms of labor legislation initiated under the German Weimar Republic in 1918 and under the French Popular Front government in 1936. Resulting from the political pressure of the socialists in both countries, these reforms amounted to a marked "shift of power in favor of labor." They did not try to interfere with the existing system of private enterprise; but, within that framework, they did try to safeguard the interests of the workers by establishing collective bargaining, mediation and arbitration, and also workers' representation in the shop. Hitler's rise to power and the occupation of France put a premature end to these large-scale attempts at collective security.

Mr. Lorch surveys the short-lived developments in Germany and France with an insight and a circumspection which make his study invaluable to experts in the field of labor legislation. Particularly interesting are the conclusions he draws as to how those experiments worked out. On the whole, Mr. Lorch inclines to think that in both countries the legal measures to combine collective action and individual initiative were successful. However, his obvious sympathies for the efforts of organized labor never lure him into illusionary wholesale judgments. He cautiously differentiates. Thus he is quite aware of the dangers threatening from compulsory arbitration, which began to assert itself in France, and in Germany completely outweighed any voluntary procedures. Similarly, he reveals the minor rôle reserved to the workers' representation in the shop. Socially important as they may have been, the German worker councils did not succeed in exerting a noticeable influence on production methods and economic

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arrangements; the French worker delegates on their part were confined to the task of discussing individual complaints with the management.

The study is the more illuminating as it goes far beyond legal considerations and purely formal evaluations. Owing perhaps to his personal experiences in the two countries involved, Mr. Lorch knows how to resuscitate the historic climate from which those reforms emerged—so that they appear not as isolated events but as part of an evolution affecting the whole of society. His sense of the whole also makes him realize the significance of the fact that occasionally the same legal institution provoked different reactions in France and in Germany. While the Germans as a rule submitted to compulsory awards regardless of whether or not they deemed them justified, French parties opposed any such award if it challenged their notions of fairness. These differences are rightly traced to national peculiarities instrumental in many other cases as well.

In short, Mr. Lorch's study is a true monograph: in analyzing its specific subject, it throws light on contexts of which this subject forms a minute part.

SIEGFRIED KRACAUER

NEW YORK CITY

National Health Insurance: A Critical Study. By HERMANN LEVY. Cambridge, at the University Press, 1944; New York, The Macmillan Co., 1945. Vol. IV of Economic and Social Studies of the National Institute of Economic and Social Research.—x, 366 pp. $4.50; 18s.

This book is a detailed critical analysis of national health insurance in Great Britain from its inauguration in 1911 up to 1942. After stating facts very briefly about the original enactment, Mr. Levy discusses national health insurance from the standpoint of benefits, economic conditions of the worker, medical benefits and treatment, and administration. While he points out many imperfections in national health insurance, his most serious criticisms center on the method of administration. He makes abundantly clear his conviction that "approved societies" as at present constituted are the root of most evils. The author contends that under the flat rate system benefits are bound to be inadequate and that the scheme of "additional benefits", dependent as it is on the surplus positions of particular approved societies, is unsatisfactory in that the benefits are small and go to those who

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need them least. He is convinced that the method of compensating doctors aggravates their tendency to favor their private patients and that the scattered membership of approved societies necessarily results in high overhead cost of administering health insurance.

Mr. Levy would do away completely with approved societies and industrial insurance. He would introduce a funeral benefit under national health insurance, would coördinate more closely unemployment, workmen's compensation and sickness benefits. He would base the doctor's compensation on number of visits, would vary contributions with "earnings of groups or classes" and would scale cash benefits to wages so as to favor low wage-earners. He would replace approved societies by regional and industrial administrative bodies.

It is unfortunate that Levy had completed his manuscript when the Beveridge Report appeared. He apparently did not feel justified in revamping his discussion in order to give Beveridge's work the prominence he gave to the reports of the Royal Commissions on Health Insurance and Workmen's Compensation and the reports of PEP (Political and Economic Planning) and the ILO. Beveridge criticized national health insurance and other social benefit plans and suggested a solution far more comprehensive than Levy's. It is disturbing to note that, while Levy insists throughout his book that the only satisfactory solution rests on doing away with a flat rate scheme, Beveridge suggests just such a scheme. It would seem that, since Levy went to the trouble to write a postscript on the Beveridge Report, its searching analysis justifies far more careful attention than Levy gives it. Levy and Beveridge emphasize many of the same shortcomings in the operation of national health insurance. Both would do away with approved societies and would nationalize burial benefits. Levy comments on the differences between his suggestions and those of Beveridge but gives no adequate discussion. He states that national health insurance "would lose its separate existence in the Beveridge Plan" but, unfortunately, gives no thorough analysis of the relative merits of different remedies for present defects. The reviewer was left with the feeling that Levy, having completed his study, decided it should be published essentially as written without reference to the fact that perhaps the most important study of all time that bore on his investigation had just made its appearance and certainly would have a bearing on the reception of his (Levy's) conclusions.

RAINARD B. ROBBINS

NEW YORK

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What the Negro Wants. Edited by RAYFORD W. LOGAN. Chapel Hill, The University of North Carolina Press, 1944.—xxvi, 352 pp. $3.50.

When a press of a Southern university publishes a book which gives Negroes of all shades of political opinion an opportunity for a forthright statement of their views, it deserves the acclaim of everyone interested in the extension of democratic rights. There is evidence that prior to its publication there was considerable controversy over the book. The editor, who is professor of history at Howard University, has been placed upon the Honor Roll of Race Relations as announced by the curator of the Schomberg Collection of Negro Literature, "for his successful fight against opposition to the publication of *What the Negro Wants*". Moreover, the "Publisher's Introduction" to the book, written by W. T. Couch, is an unconcealed effort to repudiate its contents, and in a manner that is rare in American publishing. Yet the book has been handsomely prepared and is widely advertised, which indicates that progressive forces have prevailed.

Although widely diverse interpretations of the rôle of the Negro in our society are offered by the fourteen different authors, none of them appear to agree with the publisher that "Booker Washington came nearer than anyone else to stating the problem of the Negro in its true terms. . . . Nothing is more needed in the South today than the rebirth of his ideas, restoration of the great leadership that he was giving." There is no mood of concession to white dominance in the book, and only occasionally strident Negro nationalist counterassertion. Rather there is a serious and grave unanimous demand that Negroes enjoy the same rights, opportunities and privileges that are granted to white Americans, and that they assume the same obligations. To those who wish to perpetuate caste lines involving varied forms of racial discrimination, these are drastic demands. There is no question but that the fulfilment of these democratic ideals requires skillful statesmanship, effective legislation, discerning educational policy and wide public support. Yet it is clear from this volume that the ferment among Negro groups, already under way before the war but intensified by it, cannot be ignored, evaded or suppressed. The educators, literary men, representatives of Negro and labor organizations, and journalists among the contributors, even the most conservative of them, reflect this ferment. Not all of the contributions are of equal stature either in clarity, in quality of insight, in the fullness and validity of documentation, or in their persuasiveness. Nor do

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all of them stress equally the close interrelationship of the problems of Negroes with those of other minorities, or of the intimate relationship of the struggle for Negro rights and the war against fascism. Likewise the authors advocate or anticipate different tempos in the attainment of their objectives. There is considerable repetition because all of the contributors handle the same problems without division of labor. Whatever its limitations, however, the book will serve as a helpful barometer of the sentiments that must be taken into consideration in solving one of America's most challenging problems.

BERNHARD J. STERN

COLUMBIA UNIVERSITY

An American Peace. By NEIL MACNEIL. New York, Charles Scribner's Sons, 1944.—276 pp. $2.75.

This is a book that contains all the right answers. It is a book that covers all the necessary ground in a study of how the peace should be organized and what its guiding principles should be. Were its scope and speed matched by an equal amount of penetration and of constructive and detailed suggestion it would be an important book. Unfortunately Mr. MacNeil skims the surface rather than stirs the depths of the turbulent stream of international relations.

What merit the book has might be said to be that of a primer for the uninformed in the study of world affairs. Its best chapters are those which state the special problems and position in the world of the three Powers who potentially control the world's destiny—the United States, Russia and Britain. Here we find a convincing statement of the darkness of any future in which their coöperation is not achieved. One of the possible grave dangers to such coöperation is presented as follows:

> Great Britain and its Commonwealth and Empire have no more intention of accepting defeat in peace than they did in war. They have given ample proof of their vitality and strength, of their right to survive. This is no longer a weak and appeasing Britain: it is a regenerated Britain, invigorated in the sacrifices of war and ready to assert her rights and to obtain most of them. The post-war period will find her in a strong position in her relations with Russia and the United States, for she can swing towards Russia to head off a rampant United States, and towards the United States to hold Russia in check... (p. 198).
>
> It so happens that Russia will occupy the vast world-island that Sir Halford Mackinder, the Briton, envisaged, the heartland or pivot area, that stretch of land so extensive and so wealthy in resources that sea power could not encircle it or menace it. Thus Russia might defy the Anglo-American combination and dominate the world (p. 203).

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Mr. McNeil also gives a straightforward account of the actual might in armed power and resources of the United States today and leads up to the conclusion that, by taking leadership in the organization of a peaceful earth, we can make it possible for the United Nations to avoid such pitfalls as are indicated in the foregoing quotations. If our nation will not do this, it cannot be done. Sensing rightly that economic ills provide a fertile soil for the seeds of war, he advocates paying constant attention to their amelioration if we are to have any lasting peace. He believes that such amelioration will depend upon the policies of the United States; and he believes as well that only the United States can provide the inspiration and moral strength which the peoples of the world need in facing their future. A successful peace, therefore, must be largely an American endeavor.

PENNINGTON HAILE

NEW YORK

A Basic History of the United States. By CHARLES A. BEARD and MARY R. BEARD. New York, The New Home Library, Garden City Publishing Co., 1944.—xii, 508 pp. 69 cents.

Shakespeare to the contrary notwithstanding, there is a great deal in a name. By any other name than that of the Beards, this book might have had trouble in finding a publisher. Unlike many of the earlier Beardian performances, the *Basic History* is not particularly distinguished either as to style or as to content. It displays few subtleties, and it conspicuously lacks the punch with which the Beards once drove home their emphasis on the economic interpretation of history. Frequently the authors' obvious determination to water down their mixture to the taste of the least interested reader has produced a narrative that is grade-schoolishly thin. Perhaps there is a limit to the number of times the same hands can rework the same material without taking the life out of it.

The greatest fault of the book, and the one which makes its present appearance extremely untimely, is the unreconstructed isolationism that pervades its concluding chapters. On the relation of the United States to the rest of the world during the twentieth century, the *Basic History* is not basic at all, but biased. One might hold it to be basic that, when the United States became a big nation in a little world instead of a little nation in a big world, the advice of Washington and Jefferson on European involvements would have to be written off as neither relevant nor applicable. But Lindbergh's flight across the Atlantic

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seems to have taught the Beards as little as it taught Lindbergh. One might hold it basic that the United States as a rich, fat, overgrown and undefended nation might not be safe in a world of near-by predatory Powers, armed in rapid progression with battleships, submarines, warplanes, and rocket bombs. But to the Beards there are seemingly few greater criminals than those who first made Americans conscious of the need for national defense. One might hold it basic that the Monroe Doctrine, with which the Beards do not choose to quarrel, might sometime have to be defended on both sides of the Atlantic, and, for that matter, even in the Pacific; hence that the British nation and navy (on which Americans long depended exclusively for the defense of this cherished principle) could not safely be permitted to go down. But the Beards have apparently closed their minds to all such unpalatable thoughts.

Once long ago some wise man, possibly Beard himself, took occasion to make light of the "devil theory of history". But on the subject of recent American foreign policy the *Basic History* rides the "devil theory" at full gallop. The four chief devils of our times are Admiral Mahan, Theodore Roosevelt, Woodrow Wilson (possibly more an "innocent abroad" than a devil), and Franklin D. Roosevelt. With black-hearted motives and malevolent design (maybe Wilson only blundered) these evil geniuses of American history dragged a peace-loving nation away from its true course of "continentalism"—"isolationism", according to the Beards, is a new term and an epithet—into a maelstrom of world politics and foreign wars. But for their misguided acts, we are led to believe, all would have been well. By the same logic biased historians of an earlier age used to prove to their own satisfaction that Henry VIII's illicit craving for Anne Boleyn was all that lay back of the English reformation.

In his presidential address before the American Historical Association a dozen years ago Beard threw overboard as merely vain pretense the historians' long-cherished passion for objectivity, and described the writing of history as only an act of faith. Perhaps he was right; but the gap between "history-as-actuality" and "history-as-written", terms with which, we are given to understand, Beard is now conjuring, should hardly be left so wide and deep. When the craftsmanship of one of our greatest historians drops to the half-truth level of 1944 campaign oratory, the whole historical guild has a right to feel aggrieved.

JOHN D. HICKS

THE UNIVERSITY OF CALIFORNIA
BERKELEY

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Armistice 1918. By HARRY R. RUDIN. New Haven, Yale University Press, 1944.—vii, 442 pp. $5.00.

There is particular relevance in looking back at the present time to the armistice that brought the first World War to a close, for the transaction that was initiated in November 1918, and (so one hoped) concluded the following June, turned out to be " unfinished business ". On some of the reasons why the business was unfinished, Professor Rudin's book throws valuable light.

At the end of September 1918 two important developments occurred in Germany. Prince Max of Baden became Chancellor as a prelude to the reorganization of the constitutional structure, while at the same time the Supreme Command of the Army, specifically Ludendorff, came to the conclusion that the war must be brought to an end at once, before the Allies could carry it to the " sacred soil " of the homeland. The government was in favor of peace approaches to President Wilson, but, yielding to Ludendorff's panicky pressure, reluctantly included a request for armistice negotiations, thereby assuming a responsibility designed to cover Germany's military weaknesses.

But the passage of time made it increasingly clearer that the Army Command and the Kaiser were the chief obstacles, externally as well as internally, to the cessation of hostilities. Moreover, the Allied break-through that he feared having failed to materialize, Ludendorff recovered his nerve and favored breaking off the discussion with Wilson. Ungrateful as well as dishonest, he now sought to throw the blame for the whole situation on the government and on the low state of civilian morale. This was the origin of the pernicious stab-in-the-back legend for which Germany is paying the price in this war. The documentation of this story, and especially the heavy reliance on German sources, is one of the chief contributions of the book and should make it superfluous to undertake this particular job again.

Yet one can see how circumstances favored the growth of the legend; for, clearly, the government could not afford to initiate a public debate on responsibilities in the midst of the armistice negotiations. And it is also true that morale on the home front was poor. This was due to the war itself and the sufferings entailed by it, but there is no denying that the propaganda value of the Fourteen Points, *once the military situation had become hopeless*, gave any possible will to resist its final *coup de grâce.*

A peace based on the Fourteen Points was Wilson's chief interest, and Colonel House went to Europe at the end of October, mainly

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for the purpose of securing a definite Allied commitment to the Wilsonian program. After much discussion and pressure he was essentially successful and was able to send the good news to Wilson —on the very day that the congressional elections repudiated the latter's leadership at home. The contrast between the widespread fear lest Wilson be too lenient with Germany and the subsequent readiness to sympathize with her for the harshness of the final peace should be a sobering thought for any American concerned about the rôle and responsibilities of his country.

Professor Rudin has made a contribution of more than passing value to setting straight the record of the conclusion of the 1918 armistice. But, in addition, there emerge from his study wider implications. To quote his own words: "The fact . . . that the signing of the armistice on November 11, 1918, should be more celebrated than the signing of the Treaty of Versailles on June 28, 1919, is a monument to the simple truth that men find it easier to end a war than to make a peace" (p. 399).

RENÉ ALBRECHT-CARRIÉ

QUEENS COLLEGE

Suleiman the Magnificent, 1520-1566. By ROGER B. MERRIMAN. Cambridge, Harvard University Press. 1944.—viii, 325 pp. $3.50.

The history of the Ottoman Empire has not always been the history of "the sick man of Europe" of the nineteenth century; on the contrary, at least for three centuries from the time of the fall of Constantinople in 1453 to the Treaty of Kutchuk-Kainardji of 1774, the Ottoman Empire dominated the world politics of eastern Europe. Thus western Powers often sought alliances with the Ottoman Empire; and at times they formed concerts (of western Powers) against the Turks, such as the Austro-Polish-Russian-Venetian combination of 1699 to be followed by Turkish defeat and the conclusion of the Treaty of Karlowitz, to check Ottoman domination of eastern Europe. Turks were not religious fanatics and they had no scruples against forming alliances with western Christian Powers to prevent isolation of the Ottoman Empire in world politics and thus maintain its independence. This is true today, as it was during the nineteenth century and even in the days of Suleiman the Magnificent.

The history of Europe of the fifteenth, sixteenth and seventeenth centuries cannot be adequately understood without taking into consideration the significant rôle played by the Ottoman Empire not

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only in the field of international politics but also in the cultural life of the continent. Suleiman the Magnificent, who extended the boundaries of the Ottoman Empire to Hungary, the whole of North Africa as well as Crimea, Azov, Batum and to the Persian Gulf, including Basra and Koweit, ruled over this vast empire from 1520 to 1566. He was appraised by Lord Eversley "as the greatest of the Ottoman race who created the Empire, and in that generation of famous rulers of Europe, including Charles V, Francis I, Leo X, Henry VIII, Sigismund of Poland and others, he excelled them all in the deeds and qualities which constitute the greatness and fame of a ruler."

Professor Merriman, in the preface of the book, pays his tribute to the late Professor Archibald Cary Coolidge of Harvard who started the work and left some notes and the manuscript of some chapters which have been fashioned by the author with his contributions and several additional chapters. Thus the credit for the work must go to Professor Merriman, while Professor Coolidge long ago saw the importance of the study of the history of the Ottoman Empire in relation to the history of Europe. The book is primarily a military and diplomatic history of the Ottoman Empire and its influence upon the rest of Europe. This is the first work on Suleiman by a non-Turkish historian, who, with the limitation of the lack of knowledge of the Turkish language, has consulted most of the important works on the history of the Ottoman Empire and has given us a reliable and authentic biography of a great ruler and his exploits in Europe, Asia and Africa. In chapter vii, Professor Merriman gives a short but interesting account of Turkish government which allowed considerable, if not extensive, cultural autonomy for the minorities through the "milet" system. It provides information that the Ottoman system of government did not give special privileges to great feudal families, as was the case in Britain, France and Spain of that age. The Ottoman Empire during the time of Suleiman had the best trained civil service. (For further details see the *Government of the Ottoman Empire in the Reign of Suleiman the Magnificent* by Professor Albert Howe Lybyer and also *The Palace School of Muhammad the Conqueror* by Professor Barnette Miller.) Exploits of the famous Khaireddin Barbarossa, a Christian by birth and convert to Islam by choice, the head of the Turkish Navy under Suleiman the Magnificent, is a forgotten chapter of brilliant achievements of the Ottoman Navy. This has been vividly described in chapter vii of the book.

A careful student will find from the perusal of the work that in the field of world politics, the position of the Ottoman Empire of

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Suleiman's time was as important as that of Russia today. As France, in order to check German power, formed the Franco-Russian Alliance of 1891 and as today General De Gaulle has signed a treaty of alliance with Soviet Russia, so Francis I of France, to check his rival, Charles V of Spain, and Germany, formed an alliance with Suleiman; and Suleiman in return utilized his alliance with France to expand his territories in Africa and Hungary (chapter vi, on "Relations with France to 1536", pp. 126-144).

To be sure Professor Merriman's *Suleiman the Magnificent* may not be the definitive work on the subject in the English language, but it is, in the reviewer's judgment, by far the best work so far published and it will serve as a great aid to students of European history of the sixteenth century which must be studied with the background of Turkish influence in Europe. Furthermore, this book will help remove some of the existing prejudice regarding the Turkish people and will be regarded by unbiased scholars as a solid contribution in the field of the history of the Ottoman Empire and the sixteenth-century world.

TARAKNATH DAS

COLLEGE OF THE CITY OF NEW YORK

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BOOK NOTES

The Battle Against Isolation (Chicago, University of Chicago Press, 1944; xii, 270 pp. $3.00), by Walter Johnson, an able young member of the history department at the University of Chicago, is an offshoot of a biography of William Allen White upon which the author is working. It tells the story of the great citizen committees which White headed in the critical months before we made up our minds that this war was our war. The first chapter traces the defeat of the League of Nations in the United States and our retreat behind the paper barricades of neutrality legislation. The remainder of the book tells the story of the national committees which White headed, the last of which was "The Committee to Defend America by Aiding the Allies". The narrative delineates the whole struggle to repeal the neutrality laws; and does it well. In the process it necessarily centers largely on Clark M. Eichelberger, the tireless proponent of collective security who was the mainspring and chief brain in the White committees. The book thus provides recognition for a man whose key services to the cause of international organization have been too seldom recorded. Eichelberger and most of the members of the White committees understood early that the two giant gangster empires arising on both sides of us could not be defeated without war on our part. Not so White. His main concern was to save us by measures short of war. Since he believed this could be done, the increasing militancy of some groups in his following disturbed him correspondingly. The result was that to ward off a nation-wide attack by the Scripps-Howard newspaper chain he wrote a letter to Roy Howard which completely repudiated war as a solution for our peril. This led to his resignation as chairman of the great national organization which had so much to do with mobilizing America for the war that was just ahead. Yet this denouement does not detract seriously from White's stature or from his great service in this period. In him there was epitomized the best of Midwestern liberalism combined with the inborn refusal of this great region to believe that world anarchy and total war fully involved it too. The story is a timely one. It is well told and it

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should be read both as a warning against a relapse into isolationism and as a reassuring evidence of what an aroused democracy can do to save itself in a desperate crisis. The book has ample footnotes, a select bibliography and an index.—D. F. FLEMING, Vanderbilt University.

Early in 1942 it became obvious that the submarine had so impaired shipping facilities to Brazil that the import of essential fuels and manufactured goods was being curtailed to the point of jeopardizing the internal economy of the nation. To soften the impact of the loss of imports an American Technical Mission to Brazil was organized by the Board of Economic Warfare, with the collaboration of the State Department, the War Production Board, and the Coordinator of Inter-American Affairs. The mission of thirteen specialists —industrial engineers, chemists, metallurgists, lawyers, economists, and what not—investigated, collaborated with more than one hundred Brazilian technicians, and produced a highly technical report of several volumes for the confidential use of the employees of the governments of both countries. From this report the chairman of the Mission, Morris Llewellyn Cooke, selected portions which throw light on the development of present-day Brazil, translated these selections into what the jacket calls "simple language" for the business man and the adventurous "young American looking for an exciting career", and published the result under the title, *Brazil on the March: A Study in International Cooperation* (New York and London, McGraw-Hill Book Company, 1944; xvi, 293 pp. $3.00). Unfortunately the business man and the adventuresome young American will read this stirring invitation to a new land of promise with the lack of discrimination customary in those who require "simple language". The trained reader will deplore the inexcusable errors in Portuguese terminology and will wince at the historical sections. He will marvel at the author's faith in Brazilian statistics—the reader may find the exact number of oxcarts in Brazil at a given date—and will envy the cheerful optimism which can ignore the disparity between the glowing analysis of the Brazilian labor potential presented in the chapter on manpower and the reality described in the sections on railroad management and ocean port procedure, or between the golden promise of industrialization and the vexing problem of fuel. He will wonder if Brazil can industrialize itself without accepting the ideology of the North American along with his technology. Will the Brazilians forego their leisure, their emphasis on living rather than on making a living,

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to follow the god of efficiency? The technician trained to think in terms of things believes they will; one who has lived among the Brazilians is dubious. These and other defects the trained reader will find in this volume; yet he will enjoy the book nonetheless for its wealth of current data, its theory of international trade, and its crusade in behalf of a good neighbor. But most of all he will regret that the publications of the Commission were not reversed: he will wish that this simplified form had been reserved for government employees and the technical volumes made available to the scholar.—ALAN K. MANCHESTER, Duke University.

Dr. Felix J. Weil begins *Argentine Riddle* (New York, The John Day Company, 1944; xiii, 297 pp. $3.50) on a sour note. He objects to the name the United States of America and feels that he is entitled to change it to suit his predilection. Perhaps the Americans prefer to revere the work of the Founding Fathers and can see no particular virtue in changing their name to one more objectionable still, even though a good and loyal Argentinean so proposes. He closes on a curious note. Asserting that Argentina needs and will need foreign capital (it must be "good" and not "bad" capital!) to develop her resources and economic life, the author suggests that Americans should invest their capital in his native land on a "Lend-Lose" basis. This is naïve indeed, and one is left to wonder how the benefactor would be repaid. Between these two ideas, Dr. Weil has given a lively and interesting account of what he believes is the answer to the questions regarding Argentina. Perhaps his basic explanation is too simple, although it is undoubtedly a most important element. It is that the struggle of the holders of the large landed estates to defend themselves against the advancing industrial development of the country accounts for the situation. The *latifundio* is characterized as the great social evil of the country. It would appear, however, that the hope of being able to maintain its economic life on an advantageous basis for itself is the deciding factor in the attitudes assumed by Argentina. Nationalism certainly is a guiding influence in the present-day activity and trend of thought of the government. The volume contains much information on the current political and economic conditions. In successive chapters there is a discussion of recent political history, labor, land and industrialization. These are followed by chapters entitled "An Attempt at a 'New Deal'", "The Future of Argentine Industry", and "The Big Chance for the United States". This last chapter contains criticism of the United States, particularly with

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reference to investment of capital and the meat embargo, as well as the author's suggestions concerning the assistance which should be accorded Argentina. There is an illuminating study of Argentine statistics and statistical methods. This is followed by fourteen tables relating to various phases of labor and industry in Argentina. The author has rendered a service in making available to American readers so much factual information about his country.—ROSCOE R. HILL, Washington, D. C.

A comprehensive study of the theory and practice of government in Canada is long overdue. *Canadian Government and Politics*, by H. McD. Clokie (Toronto, New York, London, Longmans, Green & Company, 1944; viii, 351 pp. $3.50), is but an introduction to the subject. The theme of the work is that "Canada's constitutional system is . . . a combination of British and American principles blended to suit Canadian circumstances" (p. 41). Professor Clokie discusses the question of Canada's claim to nationhood; briefly surveys Canadian history; analyzes the general principles of the constitutional system and functioning of Canadian federalism; reviews the main features of local government; outlines the party set-up; and concludes with a consideration of future problems. The appendix contains acts and documents significant to Canadian constitutional history. In general, the book suffers from the faults common to any introductory study of a comparatively undeveloped field; many fundamental problems are skirted. Too little space is given to the weaknesses in Canadian government. The author enjoys a rather idealistic view of the possibilities for Dominion-Provincial coöperation—despite a historical background of conflict. Professor Clokie believes that Canada's treaty-making rights are entirely settled (p. 259). This conclusion is highly debatable. Certainly, a disputed point such as this deserves more extensive treatment than the few scattered references it is given. Phases of wartime government which are assumed to be transitory are purposely omitted. References for further reading, which are appended to each chapter, are a very useful feature of the volume. The noticeable gaps in some of these bibliographies indicate the author's problem in attempting a balanced appreciation, let alone an adequate development of his theme. The work fulfills its purpose as an introduction for new students of Canadian public affairs. However, its necessarily elementary character makes the "further reading" lists essential reading for an understanding of Canadian government and politics. —C. PAUL REDWOOD, New York City.

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This *Report on the Russians* (New York, Harcourt, Brace and Co., 1945; 309 pp. $2.50), by W. L. White, supplies irrefragable proof that Sinclair Lewis did not create his Dodsworth out of whole cloth. White's comments on things Russian are generally in curiously inappropriate terms of things American. His consummate reportorial skill does enable him to weave into his account of what he actually saw a tremendous amount of what he was merely told, but the reader's skepticism of the resultant mass will not be diminished by noting that this Dodsworth carried abroad with him the notion that the New York subways pay for themselves out of the nickels of the riders. In large part this book reads as though it was written for *The New Yorker*. It is heavily interlarded with passages of the type that, in the old days, were told out behind the barn. White seems to have been fascinated by the personal habits and idiosyncrasies of certain American newspaper correspondents. In short, as a report on the Russians, this book does not begin to compare with Papashvily's *Anything Can Happen*.—JESSE D. CLARKSON, Brooklyn College.

In *World Commodities and World Currency* (New York and London, McGraw-Hill Book Company, Inc., 1944; xii, 182 pp. $2.00), Benjamin Graham applies to the international sphere the proposals he developed in *Storage and Stability* published in 1937. The extensive critique of the latter by Messrs. Beale, Kennedy and Winn and Graham's point-by-point reply are republished in an appendix. Briefly stated, Graham proposes establishment of an international agency to purchase, hold and sell primary commodities on a composite basis. The commodity unit would consist of fifteen or more products, their relative quantity corresponding to their world production and exports. Purchases would be made whenever units were available at a composite price of, say, 95 per cent of the stabilized value; and sales would be made when the composite price advanced to, say, 105 per cent of that level. The commodity-unit holdings of the international agency would occupy the same formal position as gold in the field of international money. Graham views the commodity-unit proposal as an evolution of the historic gold standard. It would add other commodities to gold but would retain the automatic mechanism and the concept of tangible and stable values behind currency. The proposal lies between the extreme position of those who hold that "the only true money is gold" on the one hand and those who favor an unsecured managed money on the other.—KARL R. BOPP, Philadelphia, Pa.

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When one bears in mind that *Foreign Influences in American Life: Essays and Critical Bibliographies*, edited by David F. Bowers (Princeton, Princeton University Press, 1944; x, 254 pp. $3.00), is a product of the Princeton Program of Study in American Civilization, the main purpose of which is to give undergraduates " an understanding of their own civilization ", its merits can be readily appreciated. Outside of this functional setting, there is not too much to be said for it. The eight essays here gathered are devoted, on the whole, to a restatement of certain well-known ideas on foreign influences in American culture. Three of them deal with immigration and assimilation, two with ideological forces, two with literature and art, and one with general aspects of the problem. They are not strikingly original or suggestive in content or especially noteworthy in style. Not being intended to present the results of intensive factual research, they do not add materially to our fund of data. They do, however, bear testimony of undergraduate instruction carried out in a serious spirit and on a high intellectual level. The primary interest of this volume rests in the fact that it is a partial record of a valuable educational experiment. Appended to the essays is a well-chosen critical bibliography of relevant materials which will be of use to scholars as well as the students for whom it was intended.—RICHARD HOFSTADTER, University of Maryland.

In these days of rapid political change, it is difficult even for the professional to remain *au courant* on the governments, parliaments, political parties, and party leaders of the world. The difficulty is considerably lessened, however, by the annual appearance of a guide which splendidly correlates and condenses the best available information on precisely these matters. The eighteenth annual edition of this guide, edited, as usual, by Walter H. Mallory, has now appeared under the title of *The Political Handbook of the World 1945* (New York, Harper & Brothers, for the Council on Foreign Relations, 1945; v, 197 pp. $2.75). As previously, the volume contains for each country, as of January first, its area, population, ruler, cabinet make-up, parliamentary composition, major constitutional or other political changes, and newspapers and periodicals (with character and ownership but not circulation figures). In some cases, notably those of France, Greece, Belgium and Poland, there are included brief, clear and accurate summaries of political developments since 1939 or 1940. Owing to the course of events in 1944, this edition of the book omits reference to such countries as Albania, Austria, Burma, Ethiopia and

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the Baltic States. Perhaps most of them will again be included in the next edition. Perhaps, also, the volume for 1946 will list separately, and not merely under the heading "Other Countries", the kingdom of Saudi Arabia. Like its predecessors, this edition of the *Handbook* is literally indispensable for any one who desires an intelligent understanding of the world's political happenings.—WALTER C. LANGSAM, Union College.

The following volumes in COLUMBIA STUDIES IN HISTORY, ECONOMICS, AND PUBLIC LAW have recently been published, or are now in press.

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